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CONTENTS

KVES DISCUSSES CURRENT QUESTIONS OF SOCIALIST POLITICAL ECONOMY

Prague NOVA MYSL in Czech No 2, 1983 pp 93-107

/Article by Vaclav Kves, rector of Advanced School of Politics, corresponding member of the Czechoslovak Academy of Sciences: "Urgent Tasks of Socialist Political Economy"/

/Text/ Socialist, and particularly Soviet, economic science advances. This is gratifying. Also in Czechoslovakia a number of valuable, though as of now partial, results have been attained in the solution of some urgent problems of socialist political economy. Despite this positive appraisal, it is impossible not to see that we still owe much to practical social needs. The socialist political economy lags behind in the study of key problems and suffers from propensity for scholastic theorization. Yet, the 26th CPSU Congress, the 16th CPCZ Congress and congresses of other fraternal parties unequivocally emphasized the increasing significance of science. "The tasks brought by life," the 26th CPSU Congress stated, "require that theory and economic science, be further developed and brought closer to the needs of economic practice." 1

Theory and practice face an extraordinary urgent general and permanent task: to ensure within the shortest possible time a transition from the extensive to the intensive development of socialist economy and to secure permanent continuation of this development.

By its significance, scope and consequences, the transition from the extensive to the intensive type of development of socialist economy is a change of historic importance. It is a change in the development of the communist mode of production in which one quality of its lower phase, that is socialism, passes into another /higher phase/. The new stage is characterized by a number of new previously unknown features of socialist production relations which represent an intensification of the process of expanded socialist reproduction. At the present stage of social development, this intensification is a historical inevitability governed by the law of harmony between production relations and nature of development of productive forces. In other words, it is a rebuilding effort in the course of which delays in the development of some aspects of the above law must necessarily result in derangements and difficulties in compliance with other economic laws, including the law of economy of time and basic economic law of socialism, and thus ultimately in making incomplete use of the potential of economic growth and slowdown in the development of productive forces in general.

In contrast to capitalism, socialism does not find its social forms readymade in its development. These forms do not arise by themselves but happen haphazardly. Socialism has been associated with planning from its very beginnings. The main features of its economic relations, of laws and natural laws by which the development of these relations is governed were first discovered by the genius of classics of Marxism-Leninism. The greatest revolution in the history of mankind was carried out on their basis. Also after the victory of the Great October Socialist Revolution every step and every change in the economic basis were first prepared and "planned" and only then implemented.

Haphazard development and the accompanying lack of concepts, empirism and pragmatism in economic decisionmaking which are so typical of capitalism are profoundly alien to socialism. If these phenomena are also occasionally encountered in real life under socialism, they must serve as a serious warning that socialism might betray its historic mission. Under certain circumstances this warning can manifest itself in the fact that the opinion of the masses turns against the party economic policy, against the doctrine of Marxism-Leninism.

In big historic changes, among which we can also include the transition to the intensive type of economic development, the significance of planning immensely increases. Plans and projects of future development are becoming more complex, more comprehensive and -- let us not be afraid to say so -- also more revolutionary than during the periods of relative qualitative stability of economic relations.

The principal task of contemporary socialist political economy is to help prepare such plans (projects) of changes in the economic basis of society which, on the basis of the combination of the results of the scientific-technological revolution with the advantages of the socialist economic system, will also reaffirm the superiority of socialism over capitalism on the plane of scientific-technological development, not only in individual, selected vitally most important areas as in the past, but in the full breadth of development of productive forces. This is the historic necessity of the immediate future. The report of the Central Committee to the 26th CPSU Congress stated among other things: "We cannot make great progress in some fields, while lagging behind in the long run in others." [2] Only in this way can the historic task of socialism be accomplished -- surpassing capitalism in social productivity of labor and transforming work into the first necessity of the socialist man's life at the same time. Naturally, this must be achieved by the overall development of his personality, on the one hand, and elimination of manual, not especially skilled and physically strenuous labor, on the other.

The system of economic relations during the period of extensive development of socialism, however, was not adapted to this task. It ensured during that period an economically very effective and socially absolutely necessary full gradual utilization of all free resources which capitalism had not been able to utilize. This was done largely on the scientific-technological basis created by capitalism because the economic subjects adopted and made use of scientific

and technical findings made during that period. Socialism achieved quite extraordinary, historically unprecedented successes in this respect.

We face a qualitatively new task today. The system of socialist economic relations must be modified according to plan -- that is, on the basis of scientifically formulated and thoroughly thought through plans and projects prepared in advance -- in such a way that it will lead to the formulation and adoption of new, entirely socialist scientific-technological solutions and concepts which are unattainable for capitalist production dominated by private ownership /of means of production/. This is the substance of intensification of the socialist economy. The intensification will result in a rapid increase in production efficiency and the corresponding change in the position of socialist producers on world markets, too.

The slogan "to catch up and surpass" belongs to the past. It is not accidental that the 26th CPSU Congress did not set for socialist science the task of using findings made somewhere else, but of coming out with new ones, of "disturbing" practice, showing where there is stagnation and lagging behind the rest of the world. An important task of economic science is to think through and to propose what should be done in order to make this activity of socialist science an integral and permanent part of the mechanism of management and of functioning of the socialist economy. This cannot be accomplished by so-called cosmetic corrections of the existing mechanism, but only by converting it into a qualitatively new mechanism of intensive management without delay.

Every day of delay in making this conversion causes considerable losses to society, because extensive resources are depleted and economic conditions are also becoming increasingly complex in other respects. For this reason, Comrade G. Husak said again at a conference with the chief representatives of the CPSL kraj organization of the West Slovakia Kraj: "The more demanding conditions require speeding up the pace of transition of the national economy to intensive development." [3]

Likewise Comrade Y.V. Andropov in his speech to the CPSU Central Committee critized the slow transition of the Soviet economy to the road of intensive development and particularly slow progress in the utilization of immense reserves of scientific-technological progress.[4]

The 16th CPCZ Congress stated that during the past period our economy was not prepared for the problems with which it was confronted by objective external and internal development. This brought certain economic problems which will take us some time to resolve. They must not push us, however, into defensive theoretical economic concepts and speculations which fail to take full account of the profound objectively existing contradictions of contemporary capitalism and try to emulate these or other seemingly "generally valid economic natural law" in our conditions under the assumption that they will help us accelerate technical progress or which look for a panacea in the old "time-proven" recipes. The inexorable requirements of the Marxist logical-historial method of studying economic phenomena makes it imperative to look for and find in such a big historic change as the intensification of the socialist economy the solution to all--more, as well as less, important -- economic problems in the conceptually

new, principled, by their social content unequivocally socialist, that is, strictly class approaches.

In addition to incorporating everything positive from the past, the socialist political economy must in the first place discover regularities (and turn over the findings to practice) by which not only the higher developmental phase of socialist economy differs from the lower phase, but also contemporary socialism from contemporary capitalism. These two creative tasks combine into an offensive economic concept of socialism which is target-oriented to the transition to the higher phase of communist socioeconomic formation.

The socialist political economy is a science dealing with economic, primarily production, relations. It deals with their essential features and their phenomenological manifestations. Engels wrote, and life innumerable times verified it, that economic relations manifest themselves primarily as interests.[5] Human interests are the driving force of human activity, the force which is all the more stronger and more effective, the more is the man's personality developed. They are stimulated or damped by incentives; economic interest is naturally motivated primarily by economic incentive.

During the transition from the extensive to the intensive type of development it is absolutely necessary to achieve a fundamental change in men's behavior. The intensification of the economy is inseparably tied to the worker innovation initiative. Their initiative is the result of the general development of their creative activity motivated by every individual's effort to improve and change existing practice. The imperative change in behavior as subject in the simple fulfillment of assigned tasks, which was necessary in the period of extensive development and structural changes, when most of the economic and technical problems were centrally solved, to initiative, and thus also critical assumption of tasks and active participation in their formulation, must be based on interests.

In context with intensification, the problem of economic interests and financial incentives becomes the central and key area of socialist political economy. In the first place, it is a complex system of links and interdependences which provides an answer to the cardinal question: What should be done so that all participants in the reproduction process, while pursuing to a maximum possible degree their personal interests and having a feeling of full self-realization in life, will also act in the interest of society as a whole and will identify themselves to the maximum possible degree with the tasks and goals announced and implemented by the Communist Party in each developmental stage?

The full appreciation of the role of economic interests under socialism, including the fact that the interest of society as a whole becomes the driving force only after it is transformed into the personal interest of participants in the reproduction process, clarification of the conditions under which this transformation process takes place, and designing of the socioeconomic mechanism which creates and reproduces such conditions -- these are, in my opinion, briefly described fundamental revolutionary tasks of today's economic science with which it can and must contribute to the planned development of the socialist

society. These tasks are revolutionary because their solution will signify a qualitative leap on the road to knowledge of the economic natural laws of socialism for which the conditions in economic science have already ripened. Furthermore, they are revolutionary because their solution will create the necessary prerequisite for a qualitative leap in the development of productive forces on the basis of broad innovation initiative and activity of all participants in the process of expanded socialist reproduction from its lowest unit (direct producers) all the way up to top management. Finally, they are revolutionary because only their fulfillment will reveal, in their entire breadth and depth, the fundamental differences and superiority of socialism over capitalism which could not fully develop earlier before socialism entered the developmental phase of its maturity.

One of the important signs of transition to the developed socialist society in economic terms is the ongoing shift in the very subject of the socialist political economy -- from the observation and examination of direct effects of revolutionary changes in the political superstructure of the society on the development of productive forces (that is, on the so-called material structure of the national economy) to the examination of socialist production relations and the effect of changes in these relations on the development of both social superstructure and productive forces.

The change in social goals connected with the transition to the developed socialist society and with the intensification of the economy and the corresponding change in the goal-oriented function of the socialist economic system from quantity to quality must necessarily produce and be accompanied by a profound and general change in economic thought. The documents of the highest organs of the CPCZ and CPSU with increasing urgency call attention to the necessity for this change. They describe inertia in thought, routinism, the habit of continuing in the old ways as among the principal causes of existing difficulties. However, if economic and other workers are to replace the former goals of their economic activity by new, frequently directly opposite goals and to adjust their attitude toward life accordingly, they must be compelled and guided to this radical change in thought by the functioning of the economic mechanism. Economic consciousness and economic interests are joined vessels.

The formation of socialist economic consciousness, however, has yet another aspect. It is the planned orientation of economic subjects' behavior in accordance with the known economic laws and natural laws. People must know what decision is economically rational both for them and for the society. The basic orientation is laid down by the Communist Party through the resolutions of its organs. Such an orientation at the present time, for example, is the goal of improving the planning of the national economy together with the more effective use of commodity-money relations which should result in the maximization of final results.

The line and socioeconomic goals set by the party must be for the needs of economic decisionmaking by society's members concretized and elaborated by proceeding from the general to the specific. Here again economic science

performs an irreplaceable function by thinking through the fundamental concepts and goals in all contexts and details of implementation. For this purpose it has been using, particularly in recent times, procedures employing models. It works out models of functioning actual systems of economic relations in which it anticipates the effect of interests stimulated by certain elements of the system on the behavior of subjects, consequences of this behavior for the interaction between subjects and elements of the system, and on the system as a whole and so on.

These scientific models and their parts, as important steps on the road to economic knowledge, are an integral condition of orientation of all economic, particularly management, subjects in their economic activity. Due primarily to these models, economic science can also perform its propagandist function, actively affect the formation of economic consciousness and thus also become an active component part of the ideological struggle. Naturally, the role of science in this struggle is all the more great, the more realistic its models are, that is, the more they are in agreement with the requirements of the times and life experiences of workers. Speculations, proposals and suggestions detached from life, in which unobjective and unrealistic action-reaction relations are anticipated, are not convincing and have, therefore, very small or no effect on the formation of people's attitudes. They usually represent wrong steps and sometimes even steps backward on the road to knowledge of economic laws. If they are taken as the basis of practical measures in the economy, they may even be directly harmful to society. They may give rise to a situation in which the actual working of the economic mechanism gradually diverges from its normative form, from the ideas of its authors, and leads to corruption, financial speculations and other antisocial phenomena.

The highest and scientifically the most demanding level of economic modeling at the present time is the working out of comprehensive models of the economic mechanism of the developed socialist society in which a considerable part of economic research capacity is engaged not only in the USSR, but also in our country and other socialist states.

New Tasks--New Approaches to Solution

The task of science is to identify with increasing accuracy the development of objective reality. This also applies to the socialist political economy. It identifies laws and natural laws of development of socialist economic relations as developmental tendencies which objectively reassert themselves by the activity of subjects -- men. It elucidates both the causes and consequences of these tendencies and forecasts their future developmental trends in order to make its findings practically usable. It formulates scientific hypotheses and theories -- the new theory usually criticizing and replacing the old theory, and representing another small step forward along the road to social knowledge. As socialist society reaches the stage of its maturity, completely new prospects are opened to socialist political economy. And science, the political economy, discharging its mission, helps further progressive development of society.

As the CPSU documents, and particularly the resolutions of its 26th Congress, show, developed socialism will represent a long evolutionary period in which

socialist society will develop on its own basis. In contrast to the past, when society had to cope with many features or its development which were untypical for socialism and negative from the standpoint of its goals, features inherited from capitalism both in the area of productive forces and in the social base and superstructure, developed socialism represents a new developmental stage in which the dialectical unity and harmony between various aspects of social life are much more conspicuously reflected.

This also applies to the economic laws and natural laws whose impact reflects the mutual unity, interdependence, comprehensiveness and systematism much more and more distinctly than in the past. The basic economic law, the law of planning and proportionality, the law of economy of time, the law of value, the law of distribution according to work performed, and others form, of course, an internally contradictory whole and are linked together within a dialectically contradictory unity. Their mutual contradictions, however, are no longer of an antagonistic nature. In no respect and in no measure do their mutual effects cancel, but rather condition and supplement each other. The contradictions must be reconciled -- on the basis of their increasingly profound knowledge -- by their increasingly wider, better and more comprehensive use. This is to be achieved primarily by the planned improvement and development of the ecnomic mechanism.

The mandatory nature and importance of making use of each of the objective laws constituting a unified system has been confirmed by reality. Where optimum conditions are not created for the implementation of some of their requirements, derangements take place and the requirements of other laws and regularities cannot be met either. For example, the inadequate application of the law of proportionality and of the law of value disturbs the effect of the law of distribution according to work performed and results in the decline of worker initiative. Ineffiecient application of the law of economy of time and of the basic socialist economic law has similar harmful effects.

Moreover, the knowledge of laws and the laws themselves are all the more meaningful, the more ripe is reality itself. Only under the conditions of developed socialism do the economic laws and natural laws manifest themselves as definite developmental tendencies which can be reliably identified as such with the method of scientific abtraction. On the basis of their knowledge can then be formulated the goals of future development and model changes which will lead to the implementation of these goals under concrete Czechoslovak conditions in the best possible way, that is, at minimum cost of social labor.

For these reasons, perfect familiarity with the concept of developed socialism and its creative application to the development of socialist political economy is of fundamental importance. This is not only to say that under the conditions of developed socialism the effect of one law cannot be eliminated or suppressed by another. Apart from this qualitative aspect of the matter, one also has to take into account the other -- quantitative -- aspect. Developed socialism also significantly increases the share and contribution of economic laws (in other words, the share of decisions according to economic principles) to the solution of larger social problems. There is, for example, an increase in the

significance of distribution according to work performed and in the significance of the market balance for the solution of social problems which have much stronger economic repercussions in the intensive type of economic development. In this context, we should recall the words of Comrade L.I.Brezhnev uttered at the 26th CPSU Congress: "It is precisely in the economic area that the basis is formed for the fulfillment of social tasks, for strengthening of the defense capability of the country and for active foreign policy. Here precisely are created necessary prerequisites for the successful advancement of the Soviet society to communism." [6]

It is, therefore, among the important methodological tasks of socialist political economy to consistently separate the problems, categories and phenomena which are intrinsically economic from others which, though assuming various economic forms and appearances, are not at all governed by objective economic laws. Economic behavior, for example, is frequently confounded with savings even in typical institutions of the superstructure. This is a confusion of terms. The essential features of economic relations are overlooked -- the motivation toward the subjects' optimum behavior, tendency toward proportionality and balanced development and so on. There are also serious negative social consequences if, for example, the drafting of a plan is regarded as sufficient manifestation of planning or if the natural laws adequate for the economic category of price are applied to the quantity indicating actual production cost regardless of the social usefulness of the product and so on.

The fulfillment of this task will not only "purge" the economic vocabulary and standardize the meaning of categories and terms used which are indispensable for each scientific discipline. It will also help clarify the nature of effect of many general economic natural laws under socialist conditions and define the specifically socialist features of these natural laws. This will close the door not only to many voluntaristic interpretations of economic laws, but also to many subjectivist and voluntaristic decisions on economic questions which in fact ignore these laws.

A specific aspect of the above task requiring special attention is the necessity to overcome technocratic approaches to economic problems, approaches which, though occasionally claiming the opposite, in reality belittle or even ignore the social content of political economy and try to eliminate it. They have different manifestations and different roots.

Their fundamental manifestation at the present time is the unhistorical examination of the process of economic intensification. They try to solve new problems with old methods and means. They do not realize that the goal of the former policy of implementing rapid and fundamental macrostructural changes was the formation of a modern material-technical basis of socialism and that, after this basis has been formed, preference must be given to the policy of macrostructural continuity and maximum utilization of existing capacities.

The adherents of technocratic approaches keep submitting new proposals for continued restructuring of individual sectors of the national economy. They argue with the "modern structure" of some sectors and "unmodern structure"

of other sectors, and promise bid effects of scientific-technological progress brought about by the modernization of structure -- all this without studying in depth the problem of creating demanding material prerequisites for such development (by building up or revising existing specialization of basic research) and systems conditions (by evoking the interest of participants in the reproduction process in innovations or by creating the so-called innovation climate in the economy).

A general characteristic feature of these approaches is the separation of so-called material questions of development of productive forces from so-called systems questions of improving production relations during the transition to the developed socialist society. This results in the underestimation of the role of economic interests in the development of socialist society leading necessarily to an external substitution of the effects of economic incentives by a great unknown /factor/ of expected effects of moral incentives in long-term deliberations which cannot be justified by a model. The basis of such approaches frequently is the one-sided observation of various quantitative technical balance relations in productive forces both at home and abroad, their extrapolation, often with the help of complex computers and econometric methods, and also their mechanical transfer from the conditions of developed capitalist states to the completely different socioeconomic conditions of our society. The fact that such speculations lack the predetermination of their implementation by the special interest mechanism of economic relations naturally plays into the hands of subjectivism in practical decisions on economic questions at various levels of management and delays the solution of actual, largely very conflicting and demanding, problems of economic intensification which are in the area of the economic basis, that is, in the area of socialist production relations.

Technocratic approaches to the solution of problems of economic intensification are sometimes rationalized by reference to the increased significance of use value under socialism. To use value, however, are often attributed non-economic features of the set of independently measurable and registrable technical properties and parameters. Opinions have even been expressed that the socialist political economy should engage in examination of these aspects of products of human labor. These views overlook the fact stressed by Marx, that use value is a social category, that it is a carrier of value and is realized in the process of satisfaction of social needs whose variability and relationship to the development of value and prices permanently change also the set of properties by which these needs are satisfied.

If the two above-mentioned tasks of fundamental methodological significance are to be gradually accomplished, the following statement of Comrade G. Husak to the 16th CPCZ Congress must be fully applied to the socialist political economy: "The development of social sciences will not be able to do without creative discussions, an atmosphere of criticism, without bold search and particularly without a principled class approach." [7] Starting creative discussions and creating an atmosphere of criticism in economic science, however, is by no means an easy task. I know from my own experience that such discussions have not yet take place. How many times have he heard complaints recently about the lack of clashes of opinions! But this lack of different

opinions was only stated and no controversies "broke out." Our economists do not know how, or rather for various reasons do not want, to discuss. If critical views are expressed, people are primarily interested in learning who was criticized and what label was put on him rather than in the view expressed or scientific controversy involved.

I think that the effort to start discussions and disputes in order to institute a bold search in which there is only one authority -- the objective truth should constitute, if not the principal, then definitely one of the principal directions of improving management of economic research to which the highest party organs have been paying special attention recently. The work results of leading research workers should be judged, among other things, according to whether and how they succeeded in creating a creative climate of criticism. If our research workers learn to discuss, to use one argument against another argument, to precisely formulate questions and answers, to criticize and not to be afraid of principled criticism, they will have overcome their fears. Here is the biggest reserve of scientific work revealing both everybody's actual talents and possibilities of their utilization.

"Science, scientific work trying to discover objectively true findings will not do without open discussion, without a creative atmosphere which must be created, cultivated and defended in every scientific collective."[8] We were also reminded of this by Comrade L. Strougal in his speech at the festive plenary session of CSAV /Czechoslovak Academy of Sciences/ in 1982.

New Approaches to Problems -- New Contributions to Social Practice

The intensive type of management constitutes a permanent characteristic of economic development under developed socialism. This also brings a change in the contents of tasks with which the political economy must deal if it is to discharge its mission in relation to social practice -- to inspire it to the unconventional, effective solutions of economic problems corresponding to the needs of the times.

Changes in the economic mechanism and other innovations in economic relations always originate and end, under the conditions of social ownership of the means of production, in the forms of implementation of this ownership, that is, in the methods of central societywide management -- and within it, particularly in planning -- of the reproduction process. These forms and methods ultimately determine the behavior of production workers to which the intensification process attaches primary importance.

The shortcomings in national economic planning and the activity of central management organs are, from the standpoint of economic intensification needs, of an essential nature. The greatest such shortcoming is the persisting producer orientation to quantity rather than to quality and efficiency, small responsibility for actual economic results and the resulting lack of interest in technical progress and effective participation in international division of labor, which also has unfavorable implications for the economic situation of the state.

The necessary fundamental change, however, will not be effected by the modification or substitution of some plan indicators for others. It is necessary to continue in the gradual improvement of the economic mechanism whose main directions are indicated in the principles of the Set of Measures. The elaboration of these principles in the models which I have mentioned earlier, all the way down to the specific proposals for changes in the management methods, national economic plans and activity of central organs of management, is the foremost task of economic science.

The first promising outputs of our economic research in this area appeared as early as last year. Among other things they verified the value of team work and the necessity of the already mentioned creative discussions, but, on the other hand also confirmed the generally known experience that the greater the creative contribution and intellectual newness of research findings is, the stronger is the resistance by advocates of current practice, and routinism and bureaucrats.

This research has demonstrated that one of the fundamental theoretical problems without whose solution we will not make progress in a number of areas of management practice is the relationship between planning and commodity-money relations. Explicit advocacy of the formerly generally accepted view which has now been made obsolete by theory that these two categories are in mutually antagonistic contradiction and that the development of the amounts to restriction of the other must be regarded as a rarity today. The survival of this view in the solution of various concrete theoretical and practical problems in which the dialectical unity of the law of planning and of the law of value should be effected, however, can be witnessed frequently even today.

The implementation of the intentions of joint material and value planning through a systematic value optimization of material ratios, the transition to a systematic price regulation as a "relation of cost to utility" the transition from the concept of the balanced to the concept of an equilibrium plan and the corresponding tools for its implementation, and other similar theoretical-practical tasks obviously indicate such a far-reaching tempering with the conventional that is inertial economic way of thinking as well as with existing practices that, during the attempts at their solution "theoretical" arguments always make their appearance, separating the material from the value ratios and approaching the law of values as a synonym for improvisation, religating commodity-money relations beyond the limits of the plan and so on.

The more progress is made in the knowledge of economic laws and natural-laws of developed socialism, the more important appears to be a principled and absolutely consistent solution of the problem of the nature of commodity production and specifics which the socialist ownership of the means of production imprints on this type of production relations -- in contrast and in contradiction to the features imprinted upon it by capitalist ownership in general and in the contemporary monopoly phase of its development in particular. It is necessary, for example, to attack, from consistently class positions, that is, from a profoundly theoretical standpoint, the views which

regard the production price, corresponding to free competition in capitalism, or the present monopoly price as the basis for the solution of the still open problem of socialist modification of value. It is necessary to proceed in a similar way in regard to the opposite manifestations of economic romantism in the interpretation of commodity production under socialism which regard the law of value as unnecessary trash for socialism without submitting at least a little realistic proposal as to practical stimulations and measures of economic efficiency of production.

For the needs of objectification of determinants of practical economic decisionmaking processes, the political economy must still solve two key tasks. One of them is the critical elaboration of criteria of economic efficiency for the selection of optimum variants at different levels of management which will objectively express economic interests of the given level of management (and for this reason will be consistently observed by it). At the same time, these interests should be in agreement with the real needs and interests of society as the owner of the means of production. The second task is the elaboration and concretization of economic categories of socialism to such a degree of exactness that society will be able to use them on an increasingly larger scale as objectified tools of central planned management of the national economy. This will make it possible to gradually free central management from the use of various indicators strongly marked by subjectivism (in determination of their level, in lack of their comprehensiveness, in effect on the supervised unit and so on), thus making possible their circumvention or ignoring their mandatory nature with all the negative implications for society. This will increase the scope and share of optimum decisions.

The 26th CPSU Congress drew attention to one very important task of socialist political economy which is directly related to, and in some measure also reflects, the socialist nature of the law of value and of commodity-money relations. It is the problem of ensuring harmony between the amount of labor and amount of consumption, and of people's control over this harmony. An integral part of its solution is, on the one hand, the complex problem of economic balance as the manner of maximum realization of use value in consumption and as the consequence and condition of all functions of socialist money, but, on the other hand, also the transition from remuneration according to the amount and quality of work performed to remuneration according to the final results.

The solution of both aspects of the problem is of quite extraordinary economic and political significance because it is the condition for implementing a qualitative change in the methods and forms of application of principles of democratic centralism in the economy. It will make possible a gradual transition from the present largely institutional concept later to the largely special-interest concept of worker participation in economic management.

In enumerating the principal pertinent tasks of socialist political economy and in outlining expected practical effects of their solution we cannot omit

the problems of international socialist economic integration and of external economic relations in general. We must look for and find new creative solutions in this area too. They must undoubtedly be based on the interpretation of the role of external economic relations largely with reference to their function in conservation of social labor, and the role of integration as the continuation and outcome of the intensification process for international relations. This is the way in which the integration process is interpreted in the materials of the 26th CPSU Congress which outlined the concrete directions of improving the integration mechanism, including the gradual reduction of differences in the structure of national economic mechanisms.

However, only prointegration mechanisms that are antiautarkic in behavior can be brought closer together. For this reason, the central issue in this rapprochement is the increase in enterprise responsibility for their economic results and for their attitude toward the markets of other socialist states. Though a partial issue, it is a substantial question of expanding independence by associations and enterprises. As Comrade Y.V. Andropov recently[9] pointed out, it is necessary to deal with this problem practically even today.

Naturally, it will be imperative to supplement the existing largely macroeconomic attitudes toward integration by the solution of microeconomic problems, just as international scientific-technical cooperation must be supplemented by the innovation climate in individual socialist states, if some of the results representing the most skilled human labor, which is most scarce, are not to remain unutilized.

We remember the times when practice adopted the following attitude toward economic science: Write something on this or that topic, and the text was then used as the "theoretical introduction" to the material containing empirically rationalized proposals and measures not very dependent on the results of scientific knowledge. The transition to an intensive type of economic development should put a definitive end to such attitudes toward scientific work.

The constantly increasing task of economic science is searching for and finding new solutions to new problems due to the application of new approaches derived from the new concept and new interpretation of the most general economic natural laws, from the concept corresponding to the new, higher degree of knowledge of socialist economic relations. The point is not to write anything, but something which will inspire the organs of economic practice to the solutions which they by themselves could not arrive at without the results achieved by the socialist political economy and their application to individual areas of economic policy.

Such outputs of economic science cannot remain unnoticed by practice because they will intellectually stimulate it, provoke discussions and controversies until ultimately, as the result of these disputes, they will enter economic consciousness. These are the scientific outputs representing the highest given degree of knowledge of objective reality which cannot postpone their

conclusions until this or that problem ceases to be the subject of clashes of opinion and will have only one generally accepted solution. The greatest contributions to practice usually are those initially most controversial solutions based on fresh offshoots of new intellectual approaches and critical scientific analysis of existing practical solutions. Economic science which makes available to society outputs of this type will render the best service to truth and, therefore, to the party as well.

FOOTNOTES

1. "The 26th CPSU Congress," Prague SVOBODA 1982 p 58.

2. "The 24th CPSU Congress," Prague, SVOBODA 1971 p 34.

3. G. Husak: "To Strenuously Strive for Higher Efficiency and Quality of Work," RUDE PRAVO 21 October 1982 p 2.

4. Y.V. Andropov: "Ensuring Permanent Peace for the World -- the Unchangeable Goal of the USSR Policy," RUDE PRAVO 23 November 1982 p 7.

5. See K.Marx - F.Engels: "Works" Vol 18 Prague, Publishing House for Political Literature 1966 p 305.

6. "The 26th CPSU Congress," Prague SVOBODA 1982 p 40.

7. "The 16th CPCZ Congress," Prague SVOBODA 1981 p 47.

8. L. Strougal: "Science Must Serve Society," RUDE PRAVO, 18 November 1982 p 2.

9. Y.V. Andropov: "Ensuring Permanent Peace for the World -- the Unchangeable Goal of USSR Policy," RUDE PRAVO, 23 November 1982 p 7.

10501
CSO: 2400/180

STATUS OF MERCHANT MARINE SERVING EUROPEAN PORTS DISCUSSED

Warsaw CHLOPSKA DROGA in Polish 20 Feb 83 p 6

[Interview with Gerard Witkowski, director of the PZM [Polish Steamship Company] European Tramping Plant, by Jan Kowalczyk, at the PZM headquarters in Szczecin; date not given]

[Text] [Interviewer] I am at the PZM headquarters in Szczecin speaking with director Gerard Witkowski. My interviewee manages a very important PZM enterprise known as the European Tramping Plant. The enterprise uses a total of 54 ships with a carrying capacity that ranges from 2,800 to 16,500 DWT. These are ships designated to transport mass cargoes, and they have come to be known as bulk carriers. They include the MS "Rolnik," whose tonnage of 14,176 DWT puts it at the second highest level of PZM European Tramping Plant vessels in terms of cargo capacity.

[Witkowski] The ships at our plant's disposal sail within the range of the European continent. This does not mean that they have no contact with other ports, however. Some of their voyages take them to the African (North Africa) and Asian (Turkey and the Near East) ports that lie in closest proximity to Europe. What do we carry? Primarily we transport coal exported from Poland to a series of European states. On the return voyages, we bring in iron ore, ilmenites (ferrous and titanium oxides), phosphorites and apatites, as well as cargoes of iron, lumber and grain. We also transport all kinds of salts between various ports--from table salt and evaporated salt to the most common impure salt used to salt roads.

The economic crisis in Poland and the deepening worldwide recession, which includes freight markets, has also had a negative impact upon our merchant marine. A ship earns money when it sails. Thus, we are trying to acquire cargoes whereever we can get them, in order to earn money. A significant number of our ships built in recent years on credit terms in foreign shipyards must pay for themselves on a foreign-exchange basis. In our plant we have 22 new ships built in British shipyards that are in service within the framework of a Polish-British Shipping Venture Company. These are very modern bulk carriers. Some of them have their own cargo transfer equipment; 15 of these ships have a tonnage capacity of 4,200 DWT each, and 7 can carry 16,500 DWT each. This new tonnage capacity is our greatest hope...

Likewise, ships of the "Rolnik" type built in the FRG's Schlichting Werft GmbH [expansion unknown] Shipyard in Travemunde near Lubeck (of which we have seven) are very successful in every respect (both in terms of construction and utilization, due to their maneuverability, their draught and the placement of the hold). I should like to point out here that the MS "Rolnik," a ship built in 1975 and sailing under our flag since the last quarter of that year, totally paid for itself by 1981! Ships of this type can sail for at least 15 years, which does not exclude lengthening their service time by making a general overhaul in the shipyard. After this period, however, the shipowner must pay a higher insurance rate.

The voyages of the ship, over which the editorial staff of CHLOPSKA DROGA exercises its patronage, are well-known to you who write about it so well from time to time in your newspaper. I should like to point out, however, that during this last year, when it was so very difficult to find cargoes, the MS "Rolnik" was employed in tandem with its sister ship, the MS "Budowlany" over an extended period in a series of alternating voyages following one upon the other to implement a contract to transport ore from the Swedish port of Oxelosund near Stockholm to Szczecin, from where the ore was dispatched by rail to Austria. This was a major order of ore purchased in Sweden by the Austrian concern "Voest-Alpine" from Linz, known in Poland as well, for its ironworks. Under this contract, the MS "Rolnik" made 11 voyages with the ore, transporting 13,700 tons at a time. Negotiations are underway, and perhaps a contract for an identical transfer of Swedish ore for Austria will be concluded again this year.

[Interviewer] In conclusion, my interviewee said that it is no exaggeration that the plant under his direction is the busiest "organizational cell," and the one that carries the most cargoes within the system of specialized PZM shipping enterprises and the recently created "Zegluga Polska" Stock Company (which provides us with the opportunity of operating more efficiently and more effectively on the international shipping market). During the very critical year of 1982, the ships employed in this plant made 1,276 voyages and transported 7.818 million tons of cargo!

8536
CSO: 2600/503

STREAMLINING OF BUDGET-FINANCED CAPITAL INVESTMENTS DISCUSSED

Warsaw FINANSE in Polish No 1, Jan 83 pp 8-17

[Article by Czeslaw Zolkiewski: "Budget and Capital Investments"]

[Text] The ties between the budget and capital investments have been, are, and will be diverse. The scale of these ties depends to a significant degree on the growth rate and the directions of capital investment, on the financial situation of the investors, and on the capital investment financing system mandatory in given areas. The capital investment structure has an influence on the formation of the sizes of budget outlays, since the capital investments of budget-financed units based on the construction of schools, hospitals, and other similar nonproduction facilities are financed almost entirely from the budget, whereas the capital investments of enterprises do not require this, as a rule. Good management of enterprises, the placing of the total amortization in their disposition, and a suitable price level can make their financial situation secure, so that it does not require help from the budget when undertaking capital investments. The bases of financing capital investments, nevertheless, have such an influence on the level of "tying" the budget to capital investments, that they can have a bearing on the sizes of the budget outlays in a given area (for example, at the beginning of the 70's, attempts were made to finance initially from bank credit even the capital investments of budget-financed units, which had an effect on the reduction of budget outlays during the given year and an increase in them during a later period because of the need to repay these credits).

Currently, and also for a number of years to come, on the background of the ties between capital investments and the budget, the situation will exert an influence on the so-called capital investment front. There is no doubt about the evaluation that "in the new economic management conditions, we are entering an excessively developed front of simultaneous realization of capital investments. This is a front of abnormal internal structure (with an excessive number of large-scale capital investments having long-term realization cycles, with considerable investment- and operation-type imports-intensiveness, more likely to open rather than close the investment cycle, etc.) and having directions of capital investment unsuited to needs and capabilities, with deconcentrated potential for implementation and considerable stocks of purchased machinery and equipment for capital investment projects

which, in some cases, had not even been started."[1] It may be added here that it is necessary totally to drop the realization of many capital investment projects from this front, and to amortize the credits for financing them,[2] and it is also necessary to mothball the above-mentioned machinery and equipment, which also costs a lot of money, etc.

From the standpoint of ties between the budget and capital investments, this dependence begins in a natural and most complete way during the realization of capital investment of budget-financed units. For these units--fundamentally--do not have other funds that they could earmark for financing their capital investment needs. Other funds, the so-called extrabudgetary funds (meaning the funds obtained from committed funds and social funds, special funds, and other funds not derived directly from budget-financed subsidies) play a relatively minor role in financing the capital investments of budget-financed units.

Up to now (the article was written in October 1982), the budget-financed units have been financing capital investments in accordance with principles that were introduced back in 1976.[3] In conformity with these principles, the investments of budget-financed units depending upon purchases of finished capital goods are financed from budget funds and possibly extrabudgetary funds. The funds for this purpose are accumulated in a bank account jointly with the funds earmarked for financing capital repairs of the given budget-financed unit.

But as far as capital investments of budget-financed units that depend upon construction are concerned, the principles of their financing are not uniform. Budget-financed units subordinated to ministries finance such capital investments out of budget funds transferred directly to their bank accounts (earmarked for accumulation of funds provided exclusively for this purpose). In financing the capital investments of budget-financed units subordinated to the provincial governor, the following specific principles then apply:

--The provincial government establishes a provincial fund for capital investment of budget-financed units, in which the funds earmarked for financing the capital investments of these units are accumulated.

--During the course of each year, the bank finances individual capital investments "to the debit of the investors," which in reality is the allocation of para-credits, the coverage of which are the resources of the above-mentioned fund; in doing this, the bank executes payments "within the limits of the planned cost of the capital investment," and so, it is mainly the bank--instead of the investor--that concerns itself directly and actually with not exceeding this cost.

--It is not until after the end of the year that the administrator of the above-mentioned fund, on the basis of calculations presented by the bank, makes a one-time remittance of funds for covering the outlays effected during the current year to the account of the investors.

In connection with the reform of the bank duties, as a result of which, among other things, there was the enaction[4] of the institution of acceptance by the bank of the capital investments for financing (acceptance connected with the control of the background of preparing the capital investment project for realization), currently, particular solutions for local capital investments of budget-financed units require changes. In this respect, it is estimated that the principles effective to date have not been suited for the optimization of the background of concentration of capital investment outlays (the question of the breadth of the so-called capital investment front) and influence the underestimation of funds by investors (financial calculations occur more-or-less automatically).

Mainly from the above-mentioned aspects, the unification of the principles of financing capital investments of budget-financed units through the expansion of the solutions concerning the capital investments of budget-financed units subordinated to ministries with the capital investments of local budget-financed units has been proposed. At the same time, it is suggested to introduce the principles of accumulation by budget-financed units in a single bank account of all funds earmarked for capital investments, based both on construction and on the purchases of finished producer goods (among other things, this would mean the separation of only the funds provided for financing capital repairs).

In addition to this, it is considered that for the adjustment of the concentration and more efficient utilization of budget funds earmarked for financing the capital investments of budget-financed units, the levying of the following obligations on the administrators of these funds could be useful:

--Remittances to investors of funds in installments that assure the regular course of financing capital investments and full utilization of the transferred funds each year, since these installments ought to be proportional to the levels of planned liabilities.

--The allocation of funds with priority for capital investment projects already started.

--Maintenance of records of budget involvement under the designation of capital projects already begun, which makes possible the ongoing determination of the size of future requirements for funds necessary for financing these capital investment projects, and drawing up an evaluation of the possibilities for starting new capital investment projects.

It appears that the changes proposed can remove a number of unfavorable features in the current handling of matters. The proper distribution of tasks among the appropriate services of central organizations and territorial organs of state administration, which depends on the level of ingenuity and concern of the authorities of these organs, would therefore assure the attainment of the goal of the above-mentioned changes. This could likewise be of use for the more correct preparation and realization of central and local capital investment plans.

The principles of financing capital investments of strategic importance for the national economy undertaken by the central government, among which are counted especially, the large raw-materials-energy capital investments, or those within the sphere of the technical infrastructure, community consumption, and environmental protection, are a controversial problem.[5]

In various areas of our financing system of this type, capital investments were financed mainly directly, from budget-financed subsidies or from the so-called technical credits, which were subject to repayment from these subsidies, or, finally, from bank credits, paid by the investors from amortization and from profit, and--in case of need--from supplementary budget-financed subsidies.

In recent years, and particularly in 1980-1981, a number of proposals were published for changing the system of financing the aforedescribed capital investments that had been enacted in 1976, according to which, these capital investments were financed almost exclusively from "economic" bank credits, i.e., credits repaid from the amortization of the objects obtained from the capital investments, and from the gross profit of the enterprise, and also from budget-financed subsidies, if investor funds did not suffice for repayment of the credits during the term defined in the credit agreement.

It is especially worthwhile to mention the following proposals and views:

--According to H. Fiszel,[6] structural capital investments of nationwide importance ought to be financed from budget subsidies.

--W. Jaworski[7] expressed the view, however, that it does not really make any difference what kind of funds the structural capital investment is being financed with, adding that the crediting of these investments and the repayment of the credits with amortization and profit of the investors has a destabilizing effect on the value of money.

--M. Mieszczankowski,[8] on the other hand, agreed with the current proposal of the Commission for Economic Reform Matters that suggests the continued financing of capital investments of strategic importance from bank credits, repaid from amortization and profit, and possibly from budget-financed subsidy.

--J. Szczepanski[9] noted that the basic capital investments for the national economy ought to be financed from budgetary subsidies.

--The Polish Economic Society, in "Proposals for Fundamental Economic Solutions in Poland," proposed the financing of strategic capital investments from the resources of the development funds of enterprises, and from supplementary bank credits, and also with the participation of budget-financed subsidies.

--The Economics Academy in Wroclaw, in its "Proposals for Changes in the System of Functioning of the Economy,"[10] expressed the view that strategic investments ought to be financed from bank credits, subject to repayment from profits and from budget-financed subsidies.

--In "Directions for Economic Reform," defined by the Commission for Economic Reform Matters in July 1981, after many discussions, the financing of central (strategic) capital investments from bank credits repaid from the developmental fund of the enterprises and from budget-financed subsidies was proposed.

Finally, the concept won out that stated that central capital investments can be financed both from bank credits and from development fund resources (that is, in the same way as the internal capital investments of enterprises), as well as from budget-financed subsidies. The bank credit is subject to repayment from the development fund of the enterprise that came about as a result of the realization of the central capital investment, or capital investment of the enterprise in which such investment was realized. Central capital investment may be financed from budget subsidy, in part or--in case of need--even in its entirety. It needs to be emphasized in this case that budget-financed subsidies are granted for the direct financing of central capital investment in the course of its realization, and not for the repayment of bank credits drawn for financing this investment. This minimizes the bank interest the investors are liable for.[11]

In practice, the investors strive to make use of the greatest possible budget-financed subsidies. This tendency is understandable, of course, since the receipt of budget subsidies not only assures the investor of a higher balance of funds for his needs (amortization) and from profit (allocated for the development fund), but it also reduces the scope of bank control both during the course of realizing the investment, and during the period of operation of the new facilities.

A counteracting of the above-mentioned tendency is necessary, however, above all from the standpoint of the need to define the optimal financing sources for capital investment, as well as the optimalization of decisions on undertaking individual capital investment projects. At the same time, this can contribute to the "economization" of budget funds (which are indeed valuable especially during the current financial situation of the state) for other urgent goals, including also the financing of central capital investments, which require this for concrete reasons (for example, capital investment of budget-financed units, infrastructure capital investments, etc.).

Of course, this counteraction to the tendency for maximizing the share of budget-financed subsidies in the financing of central production capital investments (enterprises) cannot and must not be done "at all costs," meaning at the cost of financing these capital investments from bank credits in amounts exceeding the so-called credit capacity of the investor.[12] For this intensifies the future pressure on the budget, when budget-financed subsidies will be necessary, not only for current financing of the capital investment, but also to help in repaying credits in such cases (this could only be averted by an increase in profitability of the responsible investors on a scale making possible the repayment of these credits from internal financing funds.

Since the financial situation does not permit the allocation of budgetary funds at the level necessary for the final realization of the above-mentioned

capital investments, then a transitional limitation of the sizes of outlays for these capital investments is recommended, or even a temporary hold on the realization of less urgent capital investment projects, which necessitate financing from budgetary funds.

In the law dated 26 February 1982 on the financial management of state enterprises (Dz.U. [DZIENNIK USTAW--Journal of Laws] No 7, Item 54), it is noted that in view of the need for implementation of the principles of self-financing of activities of enterprises, the capital investments undertaken by an enterprise are subject to financing exclusively from internal funds (developmental fund), and in a case of an insufficiency of said funds--also from bank credits, paid back from their own funds. However, this law at the same time permits the possibility of adapting its principles to the specifics of certain enterprises named in it.

In connection with this, the possibility of granting aid from the budget for financing capital investments of certain enterprises is provided for in the implementation orders of the law.[13] They may be financed partially or entirely from budget subsidies, as for example:

--Capital investments of public utility enterprises, undertaken in connection with activity in the area provided for in the laws on the creation of these enterprises.

--Capital investments of enterprises of the Polish State Railways, based on the construction of railroad lines, construction and modernization of railroad junctions, railroad stations, underpasses and overpasses, and for the electrification of railroad lines.

--Capital investments of enterprises of Polish Posts, Telegraph, and Telephones, based on the construction of high-traffic cable and radio lines, automatic intercity central offices, post offices, and also high-power radio and television transmitters.

--Capital investments of state agricultural enterprises, based on the construction and modernization of residential homes and worker dormitories for the personnel of these enterprises.

At the same time, resolution No 41/82 of the Economic Committee of the Council of Ministers is binding in the matter of financial aid for the realization of certain urgent and important capital investment projects of enterprises. It shows that aid in the form of budget-financed subsidies can also be provided to other enterprises, in particular those whose products are sold at official prices. In this situation, the demand for budgetary funds is proportionally increased. The pressure of the enterprises on the budget, in this case as well, is abetted by factors similar to those occurring during the definition of the sources of financing central capital investments. So, it is not necessary to repeat them. However, the fact should be emphasized that, in reference to the above-mentioned capital investments, due to the established principle of action during definition of the size of necessary budget funds, a well-reasoned counteraction to the above-mentioned tendency

is possible. For all the conclusions of enterprises are passed on by the banks. And above all, they offer enterprises the allocation of credit for financing urgent and important capital investment projects, if only the investor involved has sufficient capability for on-schedule repayment of this credit. In practice, unfortunately, cases are found quite frequently of rejection of these bank offers by investors, in spite of their having credit capability. In future work on the determination of the truly necessary budget-financed subsidies, undoubtedly these investors will be bypassed, since the opinions of the banks ought to be considered during the adoption of decisions in this matter. In this regard, it appears that budget-financed subsidies for aid in financing capital investments of enterprises other than the ones listed in the above-mentioned orders, should be granted above all to those investors who are realizing important and urgent continuing investments. If it is deemed that consequent enaction of the "principles of self-financing" of enterprises is justified, then budget-financed subsidies ought not be allocated for new capital investments of said enterprises.

In broaching this problem, it is necessary to state, however, that it is not a simple one, even though it may seem so at first glance. This is pointed out by various serious arguments cited in many discussions concerning the evaluation "self-financing" capability of enterprise capital investments. As a rule, renovation investments are connected with modernization of fixed assets. Also, most of the time, various investment outlays are undertaken that have as their goal the development of a given enterprise. In this connection, there can and does exist a joint "developmental fund" (formed from amortization and profit), from which the enterprises finance all of their investments (only enterprise social and housing investments are financed with separate funds). A natural initial source of financing innovation investments is amortization, but in practice, it does not suffice today for enterprises, among other reasons, in view of the increase in the prices of producer goods. It is estimated that the renovation of a property today costs 2-3 times more than the current book value of amortized fixed assets. This situation is partially rectified by the anticipated modernization of the evaluation of fixed assets (partially, since higher amortization write-offs will be only from the part of the existing property that has not yet been amortized). But if developmental investments of enterprises are concerned, then the natural initial source of their financing ought to be profit, but often there is not even enough profit, not only from the standpoint of the income tax level (all in all, the taxation rate can be lowered or tax breaks used, as discussed further on). Simply speaking, however, prices which cannot be and are not satisfactory are of great consequence here. An enterprise can finance developmental investment with funds deriving from amortization (because they have accumulated in a developmental fund to which allowances from profit to distribution are transferred). However, in this case, in the future greater profit has to be allocated for renovation investments, or there will be a shortage of funds for it.

Of course, it can be stated that since an enterprise does not have sufficient internal financing resources or credit capability in order to apply to a bank for temporary aid, then the proposed capital investment should not be realized. However, in practice, when there are real, appropriately justified

social, economic, or other needs speaking in favor of undertaking the given capital investment, then the financial situation of such an enterprise must not be disregarded.

The above problems are immeasurably important, and are totally deserving of discussion.[14] In any case, however, if it is accepted that even in future years budget-financed subsidies ought to be granted for the financing of capital investments, not only to enterprises listed in the implementation orders of the law on financial management of state enterprises, then at that time it is necessary to properly fulfill not only the prescriptions of this law, but also the prescriptions of the order adapting this law to the specifics of certain enterprises. This is necessary, above all, with respect to the need for maintaining the elementary cohesiveness of systems-type regulations.

In financing capital investments of enterprises mentioned previously, income tax breaks can and should play an important role. They are an essential element of the "linkage" of investment and the budget. For these breaks increase the possibilities of investing in enterprises at the expense of the budget, since they shrink its income. Of course, they cannot fully replace the budget allocation, since in practice, in many cases, even complete relief from income tax payment obligations simply cannot assure an enterprise sufficient funds for financing investments, which according to objective evaluation ought to be realized.

In the light of article 47, paragraph 1 of the law dated 26 February 1982 on taxation of units of the socialized economy (Dz. U. No 7, Item 55), the Council of Ministers, by way of decree, can introduce tax breaks "by virtue of earmarking profit for developmental purposes, in particular, capital investment breaks, tax breaks for stimulating solutions in the area of scientific-technical progress and for other socially-justified purposes."

As far as capital investment breaks are concerned, there is need for pin pointing investments which if realized could entitle the enterprise to these breaks. According to the above-mentioned resolution No 41/82 of the Economic Committee of the Council of Ministers, income tax breaks (in the form of partial or even total relief from this tax) are to be granted to enterprises "which undertake capital investment activities backed by documentary evidence for the purpose of initiating or increasing production of specified products." The list of these products is to be worked out by the Planning Commission of the Council of Ministers and presented in the draft Central Annual Plan for 1983. In addition to this, undoubtedly the granting of capital investment tax breaks is also appropriate in other cases (for example, to enable the realization of necessary capital investment projects that have as their goal environmental protection, the correction of labor safety and hygiene, etc.).

Among matters needing discussion, the following must be included:

--The matter of economic role (are they only supposed to supplement investor funds, or can they also be granted for stimulating realization of desired capital investments--irrespective of the investor's financial situation?).

--The method of determining the level of the break (is it supposed tc supplement investor funds to the level necessary for realizing the desired capital investment, or is it then supposed to be granted in a sum equivalent to the percentage of the cost of the intended investment determined from above?); the decision of the Economic Committee of the Council of Ministers noted above suggests that income tax breaks connected with realization of investments assuring development of production of commodities that will be listed in the SPR [Social Development Plan (?)] for 1983 should be granted "on the scale necessary for realization of the investment project undertaken."

--The principle of designating the advantage from the break (whether the additional writeoff from profit is to increase "profit for distribution," which can be earmarked for various purposes, including both the development fund and the workforce fund, or whether it ought to be granted only directly for reinforcing the development fund).

--The actual time of utilizing the tax relief (if the tax break is to be granted during the time of realization of the investment, or not until the investment project has been executed).

--The procedure for allocating tax breaks (the decision on breaks has to be connected with an evaluation of the investor's credit capability, or whether it should not be dependent upon this evaluation).

The arguments in favor of introducing the principle of flexible formation of the level of investment tax breaks, their being granted during the period of realization of capital investment project, with the purpose of increasing the "profit for distribution" still predominate, without a doubt. Indicated in this matter is the correlation of capital investment preferences, which will be defined in directives for bank credit policy and in the principles of granting income tax breaks.

The solution of the questions presented above and of other questions will take place in the decree, which will regulate the system of granting the above-described breaks. Optimal solutions, even in this area, are simply necessary to avoid undesirable decisions, which are really voluntarist. They can have an effect on the formation of the background of the quality of the "capital investment front," in nearly the entire socialized economy.

In practice, another important problem is the scope of aid from the budget in the repayment of investment credits drawn in prior years.

One of the main factors continuing to cause great differentiation of the financial situation of enterprises has to be that of the unbalanced, often very high indebtedness of enterprises as a result of drawing capital investment credits during past years, or their encumbrance with the bank interest from these credits. This is particularly noticeable in enterprises selling products at currently-binding official or regulated prices, (for the level of the so-called profit surcharge set for regulated prices does not assure many enterprises profit enough to repay the installments of capital investment credits, which in part cannot be covered by amortization). This

problem appears also in enterprises employing contracted prices. This situation is becoming more critical as a result of the economic crisis, and of the fact that until 1981 a part of the credit installments encumbering profit were paid with gross profit (before taxation of profit), and also because of the fact that, in view of the new principles of financial management and the liquidation of associations, currently the enterprises no longer can take advantage of the help of associations in repaying capital investment credits. It is necessary also to emphasize that a considerable portion of developmental capital investments begun before 1982 were of an orders-type nature, and were not based on true cost effectiveness.

The solution of this question can occur, among other ways, through the following:

--Allocation of breaks to enterprises up to 1984 in payments--to the budget--of a part of the amortization (after 1984, the enterprises are to dispose of their entire amortization).

--Granting enterprises budget-financed subsidies for aid in repayment of capital investment credits, and granting tax breaks for this purpose.

--Extension of repayment periods of capital investment credits by the banks (with the simultaneous reduction in the interest rate from these credits for the purpose of an appropriate reduction in the level of their encumbrance by the costs of operating activities of debtors). In well-justified cases, it would be possible also to use a several-year grace period in repayment of credits, justified among other reasons by the fact that after 1984, in connection with the expected reassessment of fixed assets, the level of amortization write-offs will undergo a considerable increase.

--Raising prices to a level assuring enterprises profit in amounts that make it possible for them to pay off the capital investment credits that they have drawn.

These methods of assuring enterprises conditions for the repayment of capital investment credits used during previous years will bring about various economic effects. The view is expressed that they have to be implemented simultaneously, basically, but along with this, differently with respect to individual investors, mainly for the purpose of considering their real financial situation during the period of repayment of capital investment credits.

The raising of prices to make it possible for investors to repay capital investment credits, which has been postulated frequently by investors, clearly deserves the most discussion. For it contributes, among other things, to the increase in inflation.

The allocation of budget-financed subsidies for aid in repayment of capital investment credits and for granting tax breaks for this purpose, reduce the financial reserves of the state budget, therefore bringing about the necessity of limiting budget outlays for other purposes or to increase the budget deficit.

The extension of credit repayment periods (lowering annual installments) and the use of a grace period in this repayment, lowers the financial reserves of banks, however, and therefore limits the possibilities of crediting enterprises, or forces the allocation of credits without appropriate coverage, which from many standpoints, is not a favorable phenomenon.

So, there are many problems needing clarification in practice, even in this sector. The view that appears to be sensible is the one that suggests that aid from the budget (in the form of budget-financed subsidies) or at the expense of the budget (in the form of tax breaks) be granted to an enterprise in a case when, for socially justified reasons, raising prices of its products to a level that make it possible to repay credits on schedule is not advisable, and at the same time, it has no real possibility of paying off credits from its internal funds, even during a possible extended period.

The extension of the repayment periods for capital investment credits by the banks ought to take place at the time when an evaluation of the situation of an enterprise indicates the possibility of repayment of credits from its internal funds, within a relatively reasonable period (with consideration, among other things, to the financial results of expected changes in prices of products and to updating the appraisal of fixed assets).

The statements presented above concerning certain problems from the "budget and capital investment" area are obviously worthy of discussion. Therefore, it is proposed to present opposing views also on the pages of FINANSE. For this involves the searching for and finding of the best possible solutions, which would make it possible to put economic reform into life in reality and in the most effective and efficient way in the sphere of the capital investment financing system.

FOOTNOTES

1. J. Gniewaszewski: "Investycje na prezelomie zmiany systemow gospodarowania," [Capital Investments at the Turning Point of the Change in Management Systems], INVESTYCJE I BUDOWNICTWO No 5, 1982.

2. H. Szczepanowski: "Przeglad inwestycji kontynuowanych" [Survey of Continuing Capital Investments] (Installment II), INWESTYCJE I BUDOWNICTWO No 5, 1982.

3. Resolution No 45 of the Council of Ministers, dated 5 March 1976, on the Matter of Capital Investment in Units of the Socialized Economy (MONITOR POLSKI No 15, 1976, Item 69 and Dz.U. No 22, 1982, Item 156).

4. With reference to all capital investments financed entirely from noncredit funds (compare art 20 of directive No A/1 of the President of the Polish National Bank dated 6 January 1982).

5. The principles of financing central capital investments are defined by the law dated 26 February 1982 on the Financial Management of State

Enterprises (Dz.U. No 7, Item 54), and the principles of programming, planning, realization, and accounting of these capital investments are defined by resolution No 192 of the Council of Ministers dated 3 September 1982, in the matter of central capital investments (MONITOR POLSKI No 23 Item 196).

6. H. Fiszel: "Bez zludzen" [Without Illusions], ZYCIE GOSPODARCZE No 7, 1981.

7. W. Jaworski: "Problemy teorii i praktyki kredytu bankowego" [Problems of the Theory and Practice of Bank Credit], FINANSE No 10, 1980.

8. M. Mieszczankowski: "Zastrzezenia do projektu reformy" [Stipulations for the Draft Reform], ZYCIE GOSPODARCZE Nos 7, 8, 1981.

9. J. Szczepanski: "Stymulacyjna i regulacyjna funkcja systemu finansowego przedsiebiorstw" [The Stimulation and Regulation Function of the Financial System of Enterprises], FINANSE No 10, 1980.

10. Compare ZYCIE GOSPODARCZE No 2, 1981.

11. The motives for introducing new principles of financing central capital investments are presented in the article: "Reforma zasad finansowania inwestycji przedsiebiorstw" [Reform of the Principles of Financing the Capital Investments of Enterprises], published in FINANSE No 4-5, 1982.

12. Credit capability is taken to mean the capability of an enterprise to return the credit granted and to pay the interest on this credit. This means that the credit capability is possessed by those enterprises whose property condition and the financial effectiveness of their economic activity (financial result) provide full security for obligations to all creditors, even in case of liquidation of the enterprise (compare art 11 INSTRUKCJA KREDYTOWA [Credit Instructions] No 1, 1982, Polish National Bank).

13. Compare the Resolution of the Council of Ministers dated 4 June 1982, in the matter of adapting the prescriptions of the law on the Financial Management of State Enterprises to the Specifics of the State Enterprise, Polish Posts, Telegraphs and Telephones (Dz.U. No 18, Item 232) and the decree of the Council of Ministers in the matter of particular principles of financial management of state enterprises and the adaptation of the prescription of the law on Financial Management of State Enterprises for the specifics of certain enterprises (Dz.U. No 22, Item 156).

14. Detailed comments worthy of further development concerning the matter of real possibilities of "self-financing" of capital investments on the background of the situation in the actual enterprise, are presented by R. Golynski and W. Bujwid in the article, "Jakie inwestycje" [What Kinds of Investments], published in ZYCIE GOSPODARCZE No 30, 1982.

5808
CSO: 2600/558

TRANSPORTATION INDUSTRY GROWTH FORECAST THROUGH 1990 REVIEWED

Warsaw MOTORYZACJA in Polish No 8, Aug 82 pp 226-229

/Text/ The Economic Department of the Ministry of Transportation and the Department of Urban Transportation and Environmental Protecion of the Ministry of Local Economy and Environmental Protection have worked out a joint program for the long-term development of transportation through 1990, taking into account the long-term outline for the public transportation system. This program is a result of carrying out the tasks set by the Council of Ministers at the beginning of this year, when the heads of both ministries were charged with working out an outline for the development of public transportation, especially from the point of view of eliminating the problem of difficult trips to work in the cities.

The extensive document consists of several parts, including among other things an assessment of the present situation, plans for the development of communal and ministry transport, and outlines for the transportation service of the largest urban areas (the Warsaw, Lodz, Katowice, and Gdansk areas).

In th material presented below, the reader will find the opinions of the crea!ors of the program regarding the reasons for the present situation in transportation, and especially in public transportation under the Transportation Ministry, and predictions concerning the future of this transport.

In the next two issues, MOTORYZACJA will cite the assessments of the functioning of communal transport that were formulated in the program, and will also provide details about the plans for the development of urban transportation in the four above-mentioned urban centers. In order to make an objective assessment of the situation in transport under the transportation ministry, we should go back to the last decade, the years 1970-1980, when there was a systematic intensification of the gap between the capacity of this transport and the needs of the economy.

The insistence upon maximum transport productivity from the entire transportation system during that period did not allow any time for performing essential repair work and current maintenance of the infrastructure. As a result, a considerable part of it, the rolling stock and the facilities, was devastated, and this is making it impossible today to achieve a rapid restoration of their usefulness. This especially applies to railroad transportation, but an

unfavorable situation also occurred in highway transportation. For example, 24 percent of Polish roads are roads with a capacity considerably lower than the required 10 tons per axle. About 30 percent of the roads are in a technical state that requires capital repair. The essential extent of repairs on public roads should cover about 14,000 kilometers, while the financial, material, and equipment resources that have been allocated allow repairing only 7-9000 kilometers.

In connection with this, we must also mention other types of transport. The state of the waterways is making it impossible for inland navigation to take its proper share in transportation service for the national economy. In aviation, on the other hand, the majority of the inventory is seriously worn out, and it is only due to large financial outlays that it has been maintained on the borderline of safety for flights. All of the airports in the country, except for the international airport in Warsaw, have temporary buildings.

As for communal transport, the program states that the condition of urban transportation is not adjusted to the transportation needs of the cities, and does not provide passengers with even a mediocre traveling standard, especially when going to work. The most difficult situation is observed in large cities and urban centers, where during rush hours, for every square meter of surface area in a bus or streetcar, there are 7-8 passengers, and the time required to reach work frequently exceeds 60 minutes. Consequently, society still loses too much time in traveling to work, and the conditions of the trips are bad, in view of the considerable crowding in the vehicles. The situation deteriorated in 1981, as a result of a considerable decline in utilization of the rolling stock. In bus transportation, utilization was reduced by 5.4 percent, in street car transportation, by 9.6 percent, and in trolley transportation, by 7.5 percent. There was thus a reduction in the number of vehicles in motion. On urban transportation routes, there were 754 buses and 478 street cars less than in 1980. This means a 5 percent decline in the supply of seats, with a simultaneous increase in trips of about 4 percent. The number of passengers per seat in action increased from about 5740 in 1980 to about 6280 in 1981. Traveling conditions thus deteriorated by nearly 10 percent.

Long-Term Development of Transport Under the Transportation Ministry Through 1990

The present situation in transportation is creating · need for a thorough modernization of the entire transportation system. In connection with this, one should take into account the shortage of fuel and energy, and the limited deliveries of supply materials, as well as the reduction in investment funds. In this situation, it is necessary to restore the required state of good repair to existing durable property in all sectors of transportation.

Repair and modernization work has thus become a priority for action by the ministry, and in the near future the available funds will be allocated chiefly for completing basic facilities that were begun earlier, and for electrifying railway lines with a considerable transportation burden, as well as for

repairing and modernizing railway lines, vehicular roads, and repair facilities.

It is estimated, in view of the present state of the economy and the realistic prospects for emerging from the crisis, that the amounts of passenger and freight transportation in 1990 will be as shown in Table 1. It is planned that in 1985, freight transportation by automotive transport will not exceed the level achieved in 1980, while passenger transportation will be somewhat higher. In view of the fuel situation, the role of automotive transport in freight transportation for the needs of the economy will be limited to short-distance delivery and departure functions for the railroads. Its role in passenger transportation will be limited to serving local lines in transportation to work and school. Consequently, through 1990 efforts should be made to bring about an immediate improvement in the rolling stock situation by setting in motion the inactive transportation potential. This will make possible a considerable reduction during this period of deliveries of new freight rolling stock, both domestic and imported. The available funds will be allocated instead for increasing deliveries of spare parts, ties, and batteries, and for modernizing the operational repair facilities.

Table 1

Type of Transport	Freight (million tons)	Passengers (millions)
Railroad transport (standard-gauge)	520	1250
Automotive transport, (branch and public),	1202	2650
including State Motor Transport /PKS/	245	2620
Inland-waterway transport (without coastal navigation)	20	1.5
Air Transport	--	1.8

It is planned that after 1985, the greatest increase in trips with respect to automotive transport should occur in the PKS; the PKS's share in freight transportation should be about 20 percent, and in principle, bus transportation should be entirely carried out by the PKS and the communal transportation enterprises. In the long term, until 1990, on the other hand -- according to what has been adopted in the program -- it will be necessary to attempt to separate bus transportation from the freight and personnel units of the PKS. The further development of the PKS will require the construction of new technical and operational facilities, and deliveries of suitable rolling stock.

The concentration of freight and passenger transportation in the PKS will increase the requirements for high-tonnage trucks and large-capacity buses. This will cause economical fuel consumption, efficient employment, and thus a reduction in transportation costs.

The transportation ministry plans to carry out capital repairs on the existing roads until 1990: 12,000 km of state roads and 12,000 km of local roads.

Among other things, the work will include reinforcing the pavements and constructing two-level junctions.

After 1985, work on rapid traffic roads will be renewed: Krakow-Chrzanow (with a circuit around Krakow), Katowice-Chrzanow, Katowice-Gliwice, Gliwice-Wroclaw, Poznan-Warsaw, and the Poznan beltway.

During the years 1986-1990, capital repairs will be carried out on 39,000 km of roads, including 20,000 km of state roads and 19,000 km of local roads. Work on rapid traffic roads will also be continued.

The research conducted to date indicates that the mobility of the population in Poland is relatively high, and has for years been showing a continuing tendency to increase. In 1981, passenger transportation in public transportation (without urban transportation) grew by about 42 percent in relation to 1970. Passenger transportation has been carried out by all subsectors of transportation; the transportation load of the individual subsectors varies, however, and is determined by the following:

-- the technical-operation properties of the means of transportation (capacity, speed, equipment with necessary devices);

-- the density of the transportation network and the accessibility of the means of transportation (the distribution of the stations and stops);

-- the level of transportation costs, including chiefly fuel costs;

-- the quantity and quality of the means of transportation;

-- the time required for a trip, or the standard of services observed.

As a result of the above determining factors:

-- railroad transport is carrying out transportation on all routes, primarily long-distance ones, and also the transportation of passengers in suburban traffic and within the limits of large urban centers;

-- the automotive transport of the State Motor Transport will provide transportation services in suburban and medium-distance transportation.

Table 2 shows the passenger transportation carried out in 1981 by individual subsectors of transportation; this includes the transportation of workers and school transportation.

The structure by subsectors of passenger transportation carried out within the framework of public transportation has been relatively constant for several years now. The structure by type is also constant. Obligatory trips, i.e. rides to work and school, and business trips, constitute more than 50 percent of all passenger transportation, both in railroad transportation and in PKS bus transportation.

Table 2

Type of transportation	millions of people
-- total transportation by all subsectors of public transportation	3441.4
total work and school transportation	1927.2
percentage of total	56.0
-- total railroad transportation	1113.6
work and school transportation	585.7
percentage	52.6
-- PKS automotive transportation	2324.8
work and school transportation	1341.5
percentage	57.5

The considerable share of this transportation in total passenger transportation is a result of the building of the country's economic potential, the formation and creation of large urban-industrial centers, and the processes of the migration of the population.

The efficient delivery of workers to work and of students to schools is one of the basic tasks of railroad and automotive transport, both in view of their economic significance and in view of the social aspects.

The passenger transportation carried out in 1981 by PKS enterprises amounted to a total of 2324.7 million people. Work and school transportation constituted 57.7 percent (1341.5 million people) of all passengers carried. The amount of transportation is different in individual voivodships, and depends mainly on the nature of the locality, the need for the labor force, the development of the transportation infrastructure, the urbanization of the region, and many other factors.

The number of trips to work by PKS buses is particularly large in areas where industry is being developed and a revival of the economy is occurring which entails the needs for a labor force. Examples of this are the large industrial enterprises of Turoszow, Konin, and Tarnobrzeg.

In the last two years, we have observed a considerable decline in the technical readiness of buses, as a result of the shortage of spare parts, batteries, tires, and fuel. Deliveries of new rolling stock to PKS units have also been curtailed. Thus, in 1980 670 buses were not delivered, and in 1981, 488 buses.

These phenomena have led to a systematic limitation of public transportation. In September 1981, as a result of implementation of a decision by the Anticrisis Operational Headquarters, 3155 bus routes were suspended, and in December, after martial law was declared, an additional 14,980 routes were liquidated, including all long-distance transportation (over 150 routes).

Within the framework of public bus transportation, the PKS is now serving over 16,000 lines, on which 97,530 bus trips are made each day, including 34,000 with priority seating for those possessing monthly tickets.

Local trips (up to 50 km) constitute 87 percent of total bus trips, while medium-distance trips constitute 12 percent.

Today, in spite of the considerable restriction on PKS transportation, there is still a lack of sufficient buses in good running order. This lack results in crowding in transportation. The overall requirements for PKS transportation thus have still not been met. This particularly applies to rush hour transportation. The extent to which work transportation needs are met is estimated to be about 90 percent. It is expected that in 1982 the PKS will carry 2.25 billion passengers, i.e. 74.7 million less than in 1981. The reason for this lies primarily in the incomplete realization of deliveries of rolling stock in past years. We should also take into account the fact that the technical readiness of buses this year will deteriorate as a result of the necessary delay in eliminating a certain number of buses, and of insufficient allocations of tires and batteries, as well as the incomplete satisfaction of orders for spare parts and accessories.

The matters of deliveries of new rolling stock appears to be unfavorable. This year the PKS will receive just 2300 low-capacity buses. It will at the same time be necessary to eliminate at least 3000 worn-out vehicles.

The negative balance in the state of the property (-700 buses) will have a serious effect on reducing the scope of transportation services rendered, and on meeting transportation needs. It will become necessary to impose further restrictions on transportation by suspending about another 8000 bus trips. Anticipating such a situation, the PKS has already reduced the total number of trips by about 2500 in its new bus schedule. It is also taking into account a further decline in contract transportation carried out on the basis of agreements with labor institutions. In this situation -- even with a maximum limitation on the scale of transportation and with a complete liquidation of long-distance trips and trips between rush hours -- the PKS will not be able to meet the transportation needs, with respect to transportation to labor institutions and schools during rush hour periods.

An essential condition for maintaing bus transportation at an unchanged level until 1985 is allocating PKS units each year at least as many buses as are needed to compensate for the necessary eliminations. Furthermore, the PKS needs deliveries of batteries, tires, spare parts, and fuel, in amounts that will guarantee that 17,000 (out of 24,000) buses needed for work every day will be maintained in good running order. This year's deliveries of tires will barely cover 60 percent of the PKS's needs, and consequently the number unavailable for use will grow from 2219 to about 5550 buses, i.e. by 3281. The extent to which the PKS's needs for batteries will be met this year is estimated to be about 33 percent. This will result in taking about 2000 buses out of use. It is estimated that the need for bus rolling stock for the PKS in the next few years in order to compensate for eliminations will be as shown in table 3:

Table 3

	1982	1983	1984	1985	1986-90
Total buses	3000	3800	3900	4000	18,000
High-capacity buses, more than 70 seats	1300	1350	1400	1450	5,700

Nevertheless, deliveries of the minimum rolling stock required is not all. It is also necessary to maintain this rolling stock in a suitable condition and good running order, which is determined primarily by the service and maintenance capabilities of the PKS's own technical facilities and those of others.

The PKS technical facilities -- for both buses and trucks -- include 346 automotive depots, at which in 1981 23.3 thousand buses, 1.2 thousand bus trailers, 28.6 thousand trucks, and 13.1 thousand truck trailers were serviced. Virtually nothing has changed in these facilities for several years.

Of these facilities, 154 installations are classed as category A depots, i.e., suiting the needs of automotive transport and possessing permanent housing, 87 as category B depots, in a satisfactory technical condition, and 106 as category C depots, installations in poor technical condition, insufficiently adapted to the needs of transport, and for the most part with temporary housing.

The category C depots consequently constitute 31 percent of all PKS depots and service 19 percent of the rolling stock. In thse installations there are particularly difficult conditions, which do not allow using proper repair technologies, providing the necessary safe working conditions, or achieving a proper level of productivity.

The burden on the technical facilities -- measured by the number of vehicles per service and repair position -- is different among individual enterprises. In some PKS branches, the burden on the depots is as much as 60 vehicles per service and repair position, while at the same time it is acknowledged that there is too much of a load at those depots where there are more than 28 vehicles per position. In 1981 there were 154 of such overburdened depots, or 44 percent, and the number of vehicles serviced by these depots -- considered more than usual -- was as high as 10,000 vehicles. The difficulties of the PKS do not end with the shortage of rolling stock and keeping it in running order.

The PKS has problems in ensuring passenger services. This applies to unfinished stations, stops, and other operational installations that affect increasing the quality of the services rendered. This problem has not been properly assessed in the past, and that is why in the entire PKS network there are just 106 standard bus stations (at 388 large transportation junctures, the passengers have to ensure their own departure).

The construction of 10 depots and about 6 PKS bus stations is planned for the years 1986-1990.

It is also expected that in 1990 PKS bus transportation will take place on roads of which over 77 percent will be reinforced. Bus transportation will develop in the direction of increased traffic on suburban and medium-distance lines.

9909
CSO: 2600/479

ECONOMIC PERFORMANCE STATISTICS FOR FEBRUARY 1983 PUBLISHED

Warsaw TRYBUNA LUDU in Polish 15 Mar 83 pp 1, 2

[Pap article: "National Economic Situation in February 1983"]

[Text] In February, economic trends established during the latter half of 1982 persisted in material production. Output in industrial and building sectors was higher than in February 1982. Transport volume and shipments at seaports were also higher.

Output was lower than in January of this year, mainly due to fewer working days in February. Foreign trade continued to be high. In agriculture, a decline in livestock continued to slow down. Slaughter animal and egg procurement was lower than in February 1982, but milk procurement rose, as did retail sales of foodstuffs and non-food articles.

Socialized Economy

The socialized economy's aggregate output sold (at constant prices) was 9 percent higher in February than a year ago. Compared to January 1983, output sold was nearly 7 percent lower, yet in terms of monthly working time it remained at nearly the same level.

Aggregate gross output in January and February together was 15 percent higher than in these same months last year.

Mining industry's output was 2 percent higher than last February; hard coal output was at the same level, while lignite and sulfur output rose.

Manufacturing industries' output was 10 percent higher than last year. Nearly all manufacturing industries recorded higher output rates; the highest increases were noted in precision machinery, chemicals, ceramic products, timber, and paper and leather production, Pig iron, rolled products, copper, zinc, lead, fibers and plastics were also turned out in greater quantities, as were farm tractors, and nitric and phosphate fertilizers. In the consumer goods area, production of washing machines, refrigerators, TV sets, footwear, and passenger cars increased.

Output sold per-employee (at constant prices) by socialized economic sectors was 11 percent higher than in February, and 17 percent higher in January-February than in these months last year.

Agriculture

Due to falling free-market prices for grain and potatoes, livestock breeding became more profitable in recent months. Piglet prices rose significantly, sellout of sows stopped, and pig reproduction indicators improved.

Slaughter pig procurement was 17.4 percent below last year's figure; for January-February, this is a 14.4 percent drop compared to this interval last year. Falling levels in livestock procurement early this year result from last year's decline in animal breeding rates.

Milk procurement was higher than early in 1982, which permitted larger deliveries of butter, cream and other dairy products to consumers. In February, milk procurement was 16.1 percent higher, and in the January-February period 15.7 percent higher than in the respective periods last year.

Egg procurement was below last February's figure by a significant 25.3 percent. In the January-February period, this drop was 15.1 percent.

Building Sector

Socialized building and assembly firms recorded output figures 22.4 percent above the otherwise very low figures for February 1982. The corresponding figure for the January-February period was 36.4 percent above last year's figure.

Basic output per employee (at constant prices) in February was 22.1 percent, and in January-February, 36.6 percent higher than in the same periods last year.

Socialized building firms commissioned 5,900 apartments for use. In the January-February period, 11,000 apartments--or 2,200 more than at that time last year—were commissioned.

Transports

The socialized transport sector's freight shipments in February were 3.3 percent higher, and in January-February, 9 percent higher than in these same periods last year. Rail, motor-car, and sea shipments increased in volume. Cargo shipments at commercial seaports were significantly higher than in February 1982.

In February, rail-car utilization by contractors was worse than in earlier months. The average time rail cars were kept over penalty-free periods was more than 50 percent higher than in February 1982.

Foreign Trade

Exports (at current prices) were 31.3 percent, and imports 47.2 percent higher than in February last year.

Exports to socialist countries totalled 42.3 billion zloty in February, which is 42.2 percent more than last February. Imports from socialist countries totalled 47.4 billion zloty, which is 55.7 percent more than last year. Analogous figures for the January-February period were 71.6 billion zloty, or 54.3 percent more in exports, and 76.7 billion zloty, or 37.7 percent more in imports than in the previous year. Poland's adverse trade balance with socialist countries reached some 5.1 billion zloty at the end of February 1983.

Exports to capitalist countries in February were 18.2 percent higher than a year ago; imports were 42.1 percent higher. In the January-February period, exports amounted to 50.4 billion zloty, or 25.2 percent more, while imports amounted to 44.4 billion zloty, or 42.8 percent more than in the same period of last year. At the end of February, Poland recorded a 6 billion zloty surplus in trade with capitalist countries.

Employment and Wages

The average employment figure for February in the socialized economy's basic sectors (industry, building, transports, communications, trade) was lower by 72.700 people, or .9 percent lower, than last February.

Employment figures dropped 1.4 percent in industry, 1.5 percent in building and 1.2 percent in transports, but rose 1.4 percent in trade and .7 percent in communications.

The February employment figure for these sectors was higher by 24,500 persons, or .3 percent, than in January; in trade it rose 1.3 percent, and in industry .2 percent.

Average monthly compensation, including base pay, remuneration for work on non-working Saturdays and for overtime, bonsues, premiums, and cost of living compensation, was 25.4 percent higher in these sectors than last February. The industry sector's average compensation was 13,045 zloty (24,177 zloty in mining industries, and 11,516 zloty in manufacturing industries), 11,877 in building, 12,140 in transports, 10,165 in communications, and 9,893 zloty in trade.

Private incomes in February amounted to 318.6 billion zloty, or 17.1 percent more than last year; the analogous figures for the January-February period were 628.3 billion zloty, or 37.9 percent more than last year. Private spending in February was 281.2 billion zloty, and 545.5 billion zloty in January-February or, respectively, 48.9 percent and 65 percent more than in the same periods last year.

From the beginning of 1983 through the end of February, private money resources rose by 82.8 billion zloty, of which 39.1 billion zloty are in savings accounts and 43.7 billion zloty is held in cash.

Retail Sales

Socialized retail trade units sold goods for 249 billion zloty (at current prices) in February.

At constant prices, sales of foods were 22 percent higher than last February, food sales were 5 percent higher, and non-food goods sales were some 31 percent higher.

Demand for many staple and durable goods was not met. Rationed goods and other basic foodstuffs were delivered in sufficient quantities.

On February 28, socialized trade units had inventories worth 379 billion zloty (at current prices), which was 8.5 percent more than at the end of December last year.

CSO: 2600/666

MINISTER URGES IMPROVEMENTS IN ECONOMIC EDUCATION

Warsaw TRYBUNA LUDU in Polish 22 Mar 83 p 2

[Article: "Are Economists Responsible for Economic Crisis?"]

[Excerpt] PAP's Tadeusz Belerski interviews Deputy Minister of Science, Higher Education and Technology, Professor Stanislaw Nowacki.

Belerski: It is frequently believed that economists are responsible for the current economic crisis. Is it true that Polish economists are so bad that they cannot cope with economic problems?

Nowacki: Poland's economy today employs over 40,000 economists with university degrees. A vast majority of them were educated after the war. There are five economic universities in Poland and a number of economic departments at universities and the Szczecin Technical College. I believe that essential changes are necessary in the contents and methods of economic education. First it is important to define the situation in economic sciences as well as the directions in which economic mechanisms develop.

The level of economic science in Poland is relatively high. Polish economy has a strong theoretical basis created by such scholars as Oskar Lange, Michal Kalecki, Aleksy Wakar and Powel Sulmicki.

Occasionally we hear complaints about a basic disagreement between development of economic science and the state of national economy. Economic theory is said to disregard contemporary economic realities. It must be explained, however, that socio-economic and economic processes frequently develop in such an abrupt and unexpected manner that they come as a surprise to those dealing with economic theory. This does not justify economic sciences, though. I think that we should intensify studies of interpreting actual economic processes and defining principles of rational action. The current state of economic sciences and economy-related research provides a fine basis for educating competent specialists capable of resolving Poland's future economic problems.

The current crisis, which is unprecedented in Poland's history, is an outcome of upsetting basic economic principles.

The new role assigned to economists today is obvious. Their abilities and knowledge of economic principles should become the basic criterion for solving all problems connected with production, foreign trade, investment and consumption on all levels.

At this point one may ask what does the economic profession involve? First, economists are capable of making scientific analyses of economic processes and solving economic problems in the most efficient way. Economists should also have proper civic attitudes. The point is not only to think in terms of national economy and social interests but also to observe professional ethics. Only those economists who meet all these requirements are capable of formulating assessments and proposals irrespectively of how political authorities and society receive them. Changes in the system of economic education have followed this direction for the past few years, but they have been too slow and inconsistent. An argument between supporters and narrow practical education and others advocating broad theoretical training has continued for years.

In my opinion, although the latter concept requires a longer period of adaptation to economic practice, graduates trained in this way will be better prepared for coping with future problems. At the same time the intensity of university studies should grow and students should be taught to solve actual problems. Universities should educate specialists capable of handling different problems rather than degree holders to fill vacancies in ministries and other institutions.

When at last Poland's economy is based on the principles of economic science, it will require competent economists. On the other hand, chances to establish an economic system in Poland based on sound economic principles also depend on whether or not Poland has competent economists to rely on.

The aim of economic reform is to base the economy on economic principles. This is by no means an easy task, not only because of the crisis, inflation and enormous wastefulness as well as the fact that a large part of the managing personnel is not sufficiently prepared for new-style management, but also because there are no recipes or principles that can be found in books and applied in practice. Nevertheless, economic management and establishment of a balanced, innovative and efficient economic system will not be possible without economists' contributions, since both must rely on the principles of economic science.

CSO: 2600/665

INTERVIEW WITH DIRECTOR OF LOT NATIONAL AIRLINE PUBLISHED

Warsaw ZOLNIERZ POLSKI in Polish 2 Jan 83 p 5

[Interview with pilot Brig. Gen. Jozef Kowalski, director of LOT Polish Air Lines, by Bogdan Bartnikowski, date and place of interview not specified]

[Text] [Question] A half-year has already passed since you, Citizen General, began your service in "LOT" Polish Air Lines. Times were very difficult then, bringing many events, one day after another....

[Answer] In the enterprise, it was the same as in the country. I noticed, however, that even when difficulties occur in the country, the enterprise can operate well. The troubles continue to the present, whereas 1982 was marked with success for "LOT."

[Question] You are doing less flying than in prior years....

[Answer] But we are flying! And we have attained a profit at a level of over a billion zloty.

[Question] It is difficult to believe that. Lately, enterprises have been making profits through increasing the prices of their products. Airline tickets have not become more costly. So, where did that billion come from?

[Answer] Mainly through the reduction of operating costs. Also, from the increase in the seating capacity utilization factor. On certain lines, for example, to Tripoli, Baghdad, Montreal, Budagest, or Sofia, we usually have a 90 percent filled seating capacity. This is an important matter for us. During the past year, we had a large number of charter flights--this also gave us considerable profits. We have also expanded our repair activity substantially--we want our very good specialists and good repair base to be utilized to full advantage, and these are the main elements that add up to the profits of the enterprise during the past year.

[Question] Recently, the annual economic conference under the title of "A Better Form of Enterprise," took place in the Warsaw "Forum" Hotel. In the light of what was said there--other than profit measured in gold coins--what can be said to the favor of the enterprise?

[Answer] We dealt in part with the foreign exchange problems, which plagued us so much in 1981. We flew without air accidents, and this is a matter of primary importance for the enterprise. The consolidation of the crews was a success--I make a very high evaluation of this. The smooth productive work is evidence of this. I am proud of the attitude of the personnel during this period--this was truly a difficult test for them, working in the conditions of martial law, which are something new for all of us. I wish to emphasize here the fact that after 13 December 1981, all of the crews returned to Poland in full strength. It eas not until later that the unfortunate facts occurred, I mean here, the hijacking of an airplane by the crew. This incident was condemned by the entire personnel of the enterprise as immoral and unethical.

At that time, when there was little transport work, we carried out auxiliary activities, which made it possible to make use of productive capacities and skilled personnel. We undertook the overhauling of aircraft engines. Then we began the overhauling of An-2 aircraft. We painted motor coaches. It was all done so that the enterprise would be profitable and the people would have something to do.

[Question] Knowing well the conditions of service in the WOSL [Higher Air Force Officers School] in Deblin, where you, Citizen General, were the commander of the school, I get the idea that you will bring over your rich experience as organizer of aviation activity to "LOT" Polish Airline.

[Answer] Well, it's not quite as simple as all that. There were different conditions there, and there are different conditions here. When it comes to aviation work, the civil transport enterprise has its own specifics, which are completely different than a unit or the air force academy. I have a certain deficiency as concerns the training of both flight and ground personnel. I have certain ideas about modernizing certain elements of the training base. We have already made certain steps in this matter. However, if it is possible, I would like to say a few words about the problem of planning that is so important for the enterprise. In aviation, planning is a fundamental matter. The difficult lies in the fact that when you are planning, it is necessary to anticipate decisions and activities by several years, sometimes, even by a dozen or so years. For example: if in 1995 we will be transporting a certain number of passengers, then it is necessary, right this day, to plan the development of the base and the equipment for this level of hauls. Well, we have a detailed plan of action for 1983. For the end of the 5-year plan--we have a general plan. For 1990 and later, we have programming of the activity and the development of the enterprise.

[Question] It is said that the enterprise sold part of its IL-62 and Tu-134 aircraft....

[Answer] Yes, that is true. At that time, there was no sense in maintaining an inventory that was not in full operation. Aircraft have to fly. The problem is not to have many aircraft, but for them to fly as much as possible. And it is this very average time in flight of an aircraft that we have to adjust.

It is also necessary to think about aircraft with the future in mind. What aircraft will serve us for many years? It is a little difficult for now, but it is worthwhile to suffer and to wait in order to buy aircraft with a future.

At this time, we have six types of aircraft in the enterprise. It would be considerably easier for us to work if we were to limit ourselves to three types. We are also making efforts in this direction.

Against the background of the general low quality of services in Poland, we are not doing all that bad. However, this does not satisfy us. Passenger service ought to inspire confidence and good feelings. It is like that always? No.... So we have work with people waiting for us, difficult work, but I still believe that even here we are going to achieve success.

[Question] Have you already reinstitute services on all of the lines that "LOT" was serving in the autumn of 1981?

[Answer] We opened the majority of lines, although we have fewer connections. During the current year, except for the lines to the Far East and the United States, we will be serving all lines. As far as the line to the United States is concerned, it is an unknown thing still, because it is difficult to predict what the future decisions of the United States administration are going to be. The number of trips on individual lines is going to be less, however. For it is necessary to keep in mind that 40 percent of the costs of the enterprise is that of fuel--so, we will be making flights only to those places where we have passengers.

[Question] Are you an official of PRON, Citizen General....

[Answer] I support all social initiatives. I consider it necessary to support the activity of all organizations that stand for the goal of good work and the best possible work conditions, order, and stabilization. Well, no, one of my duties is the encouragement of constructive activity that brings about good results, both for the people and for the enterprise. I do not want to issue orders about anything, because this is beside the purpose. I would not like people to become alientated from me. The reconciliation of the personnel is a long process, which necessitates constant contacts with the personnel, which means lively discussions, and which demands seeing the totality of the problems of the people of the enterprise.

At the conference at the "Forum" Hotel, we spoke about all of the matters and problems troubling the personnel. We did not avoid any issues, even the difficult ones that we had to deal with between August and December, and during the time the martial law was in effect. From the discussions that took place there, I obtained much knowledge. I also obtained the conviction that both in question of methods of operation of the enterprise, we still have very much to do. We have to carry out the greater part of this work within this year already.

5808
CSO: 2600/472

DEPUTY MINISTER COMMENTS ON NEW ROUND OF PRICE INCREASES

Warsaw ZYCIE GOSPODARCZE in Polish No 9, 27 Feb 83 pp 1, 6

[Interview with Wojciech Pruss, first assistnat to the minister of Price Affairs, by Grazyna Smulska: "A Deep Breath or a Gasp?"; date and location not disclosed]

[Text] [Question] We have not yet become completely accustomed to last year's price increases and already the new year has begun with another round. Is this not contrary to earlier government announcements?

[Answer] The government announced that essential foodstuff would not become more costly. We do not intend to raise their prices. However, it should be remembered that in the 1970's, it was certainly a fundamental error to freeze those prices and increase the procurement prices of farm products at the same time. As a result it was immediately necessary to increase them by 3-4 times, which was accompanied by a definite nervous shock. Future situations of this type cannot be permitted to occur. Therefore, if the procurement prices of farm products rise, the prices of foodstuff created from those products should also be increased proportionately.

[Question] Does this mean that the present prices of foodstuff--taking into consideration the economic and social aspects--are proper and would not be increased even if the government did not commit itself to anything? But what about subsidies?

[Answer] National food subsidies still amount to 190 billion zlotys and in my estimation, this is not a dangerous level. However, if procurement prices were to rise and retail prices allowed to remain unchanged, an increase in these subsidies would follow, but already the national budget cannot accomodate this, and also, as for the other side of the same coin, it would result in a disruption between procurement and retail prices. This is dangerous for farm production. It leads to its reduction on the basis of the following reasoning: Why raise a cow if I can buy milk more cheaply in the shop than it costs to maintain a cow?

[Question] For this reason--in order to sell one's own milk higher. I suppose the procurement price is of greater interest to the producer than the retail price.

[Answer] That is a valid observation only then when we speak of normal peasant farm production. However, we have in Poland very many small farms, principally of the working peasant type, which primarily produce for personal needs and sell only the surplus. And so, precisely, such farms--the experience of the 1970's proved this--liquidate production only when foodstuff can be bought in the shop more cheaply.

[Question] However, returning to forecasts and promises. Prices are to rise not more than 15 percent this year.

[Answer] On an average of 15-16 percent, of which a 6 percent increase results from the effects of increased prices carried forward from past years. In other words, increases should be limited to 9-10 percent. We do not propose anything higher.

[Question] ? [as published]

[Answer] A certain misunderstanding occurs here. In order to raise the level of prices by 10 percent, all prices can be raised by 10 percent,or only certain goods can be concentrated on. And then obviously, the increases will be appreciably greater in specific cases. Since we have accepted that the prices for foodstuff will not change and the supply of these commodities represents one-half of the value of all supplies, by the same token we exclude more than one-half of commodities from increases. An exception here is sugar commodities which have already increased in price and possibly ocean fish on which we propose an increase in price.

We encounter relatively small changes in the prices of industrial commodities that are subject to regulated and contract prices, because the price of raw materials has likewise undergone little change.

For this reason we confine increases to smoe fields, such as: transportation, postal service, housing complex--that is, rent, fuel, electrical energy, as well as a group of commodities satisfying the needs of another category, such as: alcohol, cigarettes, coffee, gasoline. Certainly it can only be debated as to why the cost of these articles is to be increased.

[Question] Precisely. I feel that under circumstances of market imbalance, the prices of those regulated commodities which are threatened with repurchase, should be increased. And after all, no one will repurchase rent, tickets [fares], electrical energy.

[Answer] That objection can indeed be raised. But only with regards to rents and city transportation fares. Intercity--not now. Are all trips necessary? In price proposals for this year it is necessary, however, to distinguish two trends. The first mainly serves the rationalization of prices, even though it obviously on occasion removes a certain amount of money from the market. This trend entails transportation and postage costs. There are deficit services and under the present level of nominal income, their rates which have remained unchanged for the longest time, are ridiculously low.

It is similar with state controlled housing rents. There are unfounded differences in the cost of state controlled housing and tenant cooperatives of the same or similar size. And even more so in that rent covers only 18 percent of the cost of maintaining housing resources. The balance comes from the national budget.

Coal, gas, electrical and thermal energy are to be found in this group of increases. Last year, price increases in this complex did not lead to production profitability. For a year we announced the next stage.

Increases in the price of ocean fish is also in this group, the catching of which is associated with ever-increasing costs and requires higher subsidies.

However, it is necessary to otherwise treat an increase in prices of vodka, cigarettes, gasoline and coffee. Its main purpose is the overall balancing of personal income and spending. These differences are evident when we observe the financial effects of the proposed increases. If the increases which I have included in the rationalization of prices group raise the general level of prices by 1.5 percent, including fuel and energy by 0.2-0.4 percent (their prices are to increase by 10-20 percent), ocean fish by 0.1 percent (with an increase in prices by 20 percent)--in other words, in balancing personal income and spending, these situations have little meaning; then the increases from the second group will raise the level of prices by almost 5.0 percent. For example, an increase in the price of cigarettes--on an average of 60 percent--will in sum give, or it is likewise better to say, will take 40 billion zlotys from the market; alcoholic products 55 billion zlotys; fuel materials, 8 billion zlotys. A total of over 100 billion zlotys.

[Question] In spite of the division which you presented, the movement of prices which has already begun and whose next stage we soon anticipate, is burdened with many functions: it is to lead to a balance of prices; guarantee good ratios; profitability. Is this necessary? When things are very costly, others can be cheap; for example, railway fares.

[Answer] All increases limit the real monetary demand, the personal power to acquire. However, in a series of situations, we have taken into account various circumstances calling for a price increase. I assume that the area which we selected is the least troublesome.

[Question] Cigarettes will be troublesome. Although it is the least expensive increase in price by 7 zlotys, it will affect many people.

[Answer] One can only wonder how expensive cigarettes can become. But, an example. The effect which we achieve by increasing the price of cigarettes by 1 zloty, can be attained by raising the price of color television sets by 44 percent; black and white by almost 80 percent; automatic washers in excess of 80 percent; rugs by 60 percent. If one assumes that the cost of cigarettes would be expected to rise by 7 zlotys, it would be necessary to find 7 such supplementary commodities.

[Question] The commodities which you have mentioned are subject to regulated and contract prices. In connection with this, I recall the statement of a trade representative who regretted that no one wishes to undertake the decision to regulate prices in relation to the actual value of goods and as a result, for example, rugs certainly--are Russian leather products protected? Producers who are uncertain of the rules of price play, in order not to create excessive profits for which various sanctions are imposed, maintain prices considerably under the level of market equilibrium.

[Answer] I agree. Producers are afraid to raise prices.

[Question] Would it not be better if they had greater freedom?

[Answer] They already have such freedom. No one will raise any objections to the producer who applies commidity prices, wihtout a doubt luxurious in our present group --as for example, the woolen rugs referred to, or Russian leather products--to market conditions. Obviously, you should be concerned likewise with the imposition of high turnover taxes on just such products.

[Question] I would like us to yet later return to the effects of the proposed Price increases. For the moment, however, let us discuss the causes.

[Answer] Those increases are obvious.

[Question] Price increases generally.

[Answer] No. In this specific group and that is independently of the crisis, indeed the complex crisis in which we find ourselves.

[Question] Why obvious?

[Answer] There is no such country on earth that could increase real wages by 15 percent from year to year. According to the plan of assumptions, average nominal wages will increase by 16 percent as compared with the previous year. Already now, it is estimated that this plan will be surpassed, because it was underestimated.

If we do not increase prices, the rise in nominal wages will be tantamount to the rise in real wages. We can earn 16 percent more if we produce 16 percent more. When we produce 2 percent more and--as the plan anticipates--supplies for the market are to increase proportionately, then we can earn only 2 percent more.

[Question] However, to date real wages declined and rather violently at that. Isn't it time to check this decline? Even more so, becuase labor productivity increased last year by 3 percent in comparison to 1981.

[Answer] In the 1983 plan, maintenance of the present level of real wages or a small increase is assumed. At this moment we cannot afford more. In 1982 real wages declined, only after a substantial increase, especially in the first half of the 1970's. But the increase was for credit. We found ourselves in a serious crisis induced by various causes. And these were the political and economic errors of the 1970's and the ineffective system of economic management, and mandatory decisions ruinous to the economy since 1981; that is, the shortening of working time, as well as the deregulation of the market through an increase in wages. Now we must lift ourselves from this, and arduously. Since we declined by 25 percent--and national income fell at that rate during the course of the past 4 years--we will not suddenly raise ourselves upward by that much. And there is no delusion regarding this. We will not attain a 10-15 percent annual rate of growth. No country on earth will achieve it; such a rate is generally impossible and furthermore, crises prevail everywhere. It is true that they are not as complex as here. Other countries record little decrease in production.

During the past 10 years, real wages increased annually by 3-4 percent in western countries. By less than 2 percent in Great Britain. Will Poland succeed in raising it more quickly? Normal wages increased here by 10-20 percent, but most of that growth was consumed by price increases. And here that is a normal phenomenon.

[Question] In other words, the necessity for an increase in prices follows from an increase in current income, lacking a counterpart in the growth in production. And what about savings, that is, the famous inflationary curve? Besides opinions that only a small portion of the citizens has the inflationary curve, recently such opinions are likewise becoming visible that it is dispersed in small amounts over all and in this form represents a special danger to the market. In the meantime people maintain that they have no inflationary curve and become indignant when this is mentioned.

[Answer] No one will succeed in properly researching how the curve is divided, but most likely the argument is valid that it is concentrated on a small group of people that handles some type of merchandise. It produces it, trades in it, renders services. This is a very heterogenous group. Its members are united only by the fact that they have money. It is composed partly of peasants and partly of handicraftsmen. Here also is the speculator and the tradesman who buy merchandise in the shop for resale at a profit.

Where do they get the money? Well, they obtain it in this manner--people who receive income from work in the socialized economy certainly direct a portion of it to the owners of merchandise. For example, if someone needs more meat than is obtainable with a ration card, he purchases the balance in the open market. He wishes to buy a refrigerator, he gives the shopkeeper a bribe. The flow of money occurs in this manner. Unable to acquire goods in the shop, he buys it from the speculator.

Thus great fortunes are often accumulated, for certainly such do exist. They are accumulated--thanks to little surpluses--which happen to all, or almost all; otherwise people could not afford to overpay. These are not surpluses in relation to needs but in relation to that which the economy can in fact give.

[Question] However, not everyone overpays. There are those who save those small amounts for a definite purpose. Some for clothing, others for an automobile. Someone saved 90,000 zlotys a few years ago; the cost of an automobile jumped to 130,000. He deposited his savings in the Polish Guardian Bank, Ltd. [PKO]. He continues to save for an automobile.

[Answer] The public must save some part of its income. A 6 percent increase in disposable income, the total people's monetary income less taxes, fees and repaid loans, is regarded as normal. In 1982, income amounted to 3,400 billion zlotys; disposable income 3,267 billion zlotys; that is, normally 196 billion zlotys should be saved. In the meantime savings grew by almost 400 billion zlotys (391 billion to be exact); and hence, 200 billion zlotys were saved involuntarily because of a shortage of goods. In conjunction with 300 billion zlotys estimated at the beginning of 1982, the inflationary curve now amounts to 500 billion zlotys.

[Question] But if the cost of living is to be taken into consideration, it is increasing at a slower pace than in 1981.

[Answer] It is true that 500 billion zlotys are somewhat different than a year ago. It is possible to make such comparison. If we compare 300 billion zlotys with income in 1981, we get a 15 percent result. If we compare 500 billion zlotys with last year's income, we also get 15 percent. That is, in absolute amounts, the inflationary curve increased but remained relatively on the same level as at the end of 1981.

[Question] And so you admit that nothing significant has taken place in monetary resources to justify an alarming estimate of the monetary market status?

[Answer] Primarily, it is necessary to emphasize that the status of the market at the end of 1981 was very bad.

However, I would not attach excessively great significance to that which is called the inflationary curve and which signifies forced public savings (in view of the shortage of merchandise).

The threat that I already mentioned is greater. Namely, a division in the flow of income and public spending--the gap between acquisition funds and supply. From the plan it appears that it will amount to 345 billion zlotys this year. However, it is already estimated that it can be at least 150 billion zlotys greater. It can be filled with above-quota supplies or by an increase in prices. If there is neither one nor the other--the search for merchandise begins and the purchase of anything available. However, the gap is dangerous, likewise in that it induces people to reach out nervously for savings and purchase merchandise whenever it appears--a lack of equilibrium can activate savings which in turn intensifies the lack of equilibrium.

[Question] What is the source of this gap? Did it spring up suddenly in December as a result of 13, 14 and even--as one hears--15 payouts in the plants?

[Answer] If we were to look at the proportions between incomes and expenses during the course of a whole year, it is evident that a revolution in prices and incomes occurred in February and March. The latter, in the real context declined considerably, which everyone knows. As a result, in the second quarter of 1982, we achieved relatively good proportions between income and expenses--by the same token--we won a bridgehead of equilibrium. However, in the following months, those proportions became increasingly less profitable. In November, income increased by more than 30 percent as compared with April, but supplies in current prices by 17 percent. In December, by 40 and by 27 percent respectively. Supplies in stable prices increased slower yet in that period, and if not for a certain increase in prices which took place also in the period between April and November-December, this divergence would be considerably greater.

Instead of April, as the 100 average of the second quarter can be taken, inasmuch as there is almost no difference in the level of personal income in April, May and June. If the second quarter increase in income was proportional to the increase of supplies for the market--it would be relatively good. But in the third quarter, peasant income rose rapidly; in the fourth quarter, it was the workers' income. December is an exceptional month. Wages are always higher during that month. For this reason, it is better to use October and November.

[Question] This increase in income, however, appears justifiable either by seasonal production, as in the instance of the peasants, or by its growth--in the case of industry. In industry, greater employee income was justified, moreover by the implementation of government resolutions in the issue of tax relief for the Vocational Activization Fund [FAZ].

[Answer] However, wages rose more quickly than production and this is most fundamental. Let us compare December with the average of the second quarter. Industrial production increased by 10.7 percent; the payment of emoluments by 40 percent. It is not possible to have full confidence in December; hence, let us take November as an average of the second quarter. Payments of emoluments increased by 18 percent; production by 6.9 percent.

As a result of wage fluctuations in the second half of the year, the decline in real wages was less at the end of last year than immediately following the price-income operation. Stated differently, real wages have been increasing since April. In November they were higher by 13 percent than in April. They are growing and lack convertibility into goods--at the same time, the supply of merchandise for the market, calculating likewise factually, increased by only 7.5 percent.

[Question] Is the spread between the flow of income and market supply not in large measure caused by the fact that employees in the mining industry and sources of production are receiving considerably greater

emoluments than those in the market place? It is estimated for example, that in the fuel-energy and metallurgical industries, average wages are twice as high than in the light manufacturing and food industries. According to other estimates, one-third of the total work force receives 60 per-ent of total emoluments.

[Answer] It is true that the mining industry receives more than others. During the period from April to November, however, there were no greater wage fluctuations there. Besides that, it should be remembered that in spite of the high cost of extraction, coal continues to be one of the most profitable export commodities. I do not visualize a more economical method for obtaining foreign exchange currency. And, for example, the wage level of the machine industry does not particularly differ from that of others. On the other hand, I could say something else and it is worthwhile to verify this argument. Namely, that wages are rising greatly in light manufacturing enterprises, especially in the cooperatives.

[Question] But they produce for the market. A promarket economic orientation is necessary.

[Answer] In order to produce for the market, it is also necessary to manufacture raw materials, semifinished products, etc. Without them, there is no market production. However, no less valid, obviously, is the argument that it is necessary to make everything in order to increase production and supplies for the market.

[Question] Prices can likewise be an element in such efforts. They should not only lead to the limiting of demand but likewise to increasing supply. It would then be easier for all to understand increases. For the moment, however, they do not influence decisions as to the allocation of resources nor production.

[Answer] What you refer to is an idea which sheds light on economic reform. The level and relation of prices should really govern production. A producer should produce that which brings the best price obtainable. However, until we attain equilibrium in the marketplace--and it will not occur quickly, I fear that 3 years is too little--neither the vehicles of reform, nor the vehicles of the marketplace will function fully. The disciplining of income, an increase in production and the employment of a pricing apparatus are necessary. When we accomplish this, reform will begin to function normally and the control of production will begin through demand and prices.

[Question] Some would wish to reverse this order. This is, in fact, subject matter for a separate discussion. I have raised the question regarding the relationship between prices and supply for another purpose. It interests me whether by increasing prices we move forward, stand still, or perhaps retreat in overcoming the crisis. Last year, price increases also occurred, considerably higher than all planned today. Their effect,

as is evident, were short-lived. Does the present increase have a further perspective; or will its effects be again only extemporaneous? I fear that we are falling into some type of pricing gasp.

[Answer] We are simply in an inflationary position from which we will be able to emerge gradually over the longer term. We will not curb it from day to day. We must realize that in the immediate years we will have to deal with both the increase in nominal income and price increases. I believe, however, that it is most important that this take place with the simultaneous gradual increase in real income and hence with a gradual improvement in the level of life, as well as a year to year reduction in the rate of inflation.

[Question] Thank you for the interview.

9951
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DELAYS IN 1983 INVESTMENT PLAN IMPLEMENTATION ANALYZED

Bucharest REVISTA ECONOMICA in Romanian No 7, 18 Feb 83 p 10

[Article by Alexandru Tache of the Investment Bank]

[Text] In order to fulfill the goals stratetically established by the national party conference and to achieve Romania's full energy independence by 1985 through the 1983 investment plan, material and financial resources have been concentrated in order to speed up placing the projects being built from previous years into operation. New projects have been forecast just in order to increase the base of energy and raw materials, to develop agriculture, to utilize recoverable and reusable resources as well as to assimilate new products which should contribute to reducing imports.

As a result of this orientation a number of qualitative changes are forecast for the structure of the investment plan for 1983, which representats an increase of just .7 percent over last year: increasing the percentage of equipment in total volume of investments; reducing the percentage of jobs on the infrastructure and resistance in the construction jobs; allocating greater capital for building large projects in the area of electric energy, coal extraction, oil and other raw materials. At the same time, despite the fact that the capital allocated is less than last year in other industrial branches, they are being oriented predominantly toward completing the projects begun, toward carrying out programs to reduce energy consumption and having superior utilization of raw materials.

Respect for the timetables planned for connecting the new production capacities into the production circuit, as well as the start of projects remaining from last year into operation in the shortest possible time, projects which in investment activity represent a basic problem, are taking on special importance this year, bearing in mind that the new capacities are contributing directly to carrying out industrial production, for which a higher development rate than in the first two years of this five-year plan has been forecast through the plan for this year. So, it is forecast that a number of large capacities should go into operation this year, capacities such as 330 MW at the Anina thermoelectric power central, 330 MW at the Turceni Thermoelectric Power Plant, 2.25 million tons per year of copper-bearing ore at the Rosia-Poeni mining operation, 2,600 tons per year of lignite extracted at the Rosia-Jiu mining operation, 110,000 tons per year of welded steel pipes at the Zimnicea Welded Pipe Enterprise, 2,800 tons per year of mining chains at the Ciocanu-Nadrag Enterprise, 200,000 tons per year of ethylene and 150,000 tons per year of benzene.

The favorable weather at the start of this year has permitted builders on many of Romania's job sites to record important achievements. That is how things stand at the job sites for the Iron Gates II and Tismana-Clocotis hydroelectric power centrals, the Moldova-Noua operation of the deposit of copper-bearing poor ore, the Pestera lignite pit, the Jilt South lignite reservoir, the Amaradia mining field, the Midia petrochemical combine and development of the Borzesti refinery, for which the plan for January has been overfulfilled.

An overall analysis of the way in which this year's plan has been started off, however, brings out that the rate of work at all job sites is not appropriate and that some shortcomings still remain, shortcomings for the elimination of which firm actions are needed from all the factors participating in the investment process.

The main problem which must be solved on a priority pbasis is having the suppliers respect the delivery schedules for equipment and create conditions to assemble them as fast as possible, as well as those in stock on the job sites. From this viewpoint it should be stressed that at the start of the year, of the total volume of technological equipment forecast to be built in Romania, 12.4 percent were not contracted for, while the beneficiaries had not turned over the technical-economic documents to the suppliers for 3.8 percent of them. Large volumes of uncontracted equipment are localized on certain projects within the Ministry of the Metallurgical Industry, the Ministry of Wood Industry and Construction Materials, the Department of the Food Industry. Special tasks for providing technological equipment belong to production units within the Ministry of the Machine Building Industry and the Ministry of Machine Tool Industry, Electrical Engineering and Electronics, which must produce around 85 percent of the total volume of equipment forecast to be produced in Romania under conditions in which the volume of equipment from Romania represents a 32.5-percent increase compared with 1982.

The lack of synchronization between carrying out of construction projects and the delivery of equipment by the suppliers has become the main cause for big disturbances in the steady flow of the investment process. Due to the failure primarily to provide the equipment, the plan for the first month of this year was not fulfilled by more than 1.7 billion lei. On some job sites--the Riul Mare hydroelectric power set up downstream from Clopotiva, the Arad electric power central for thermification on lignite, the Drobeta-Turnu Severin chemical combine, the sugar factories in Fundulea, Calarasi and Trusesti--the performance rates for January were below 50 percent of the schedules.

An important contribution to speeding up the rate of work on the job sites belongs to the beneficiaries of investments, who have not completely paid for their obligations before the construction organizations in handing over the details and estimates of the jobs on time so that they could take measures on time for the best possible preparation of the job execution. For example, at the start of 1983 just 62.7 percent of jobs forecast to be done in 1983 were provided with details and estimates for execution, with big delays being localized in the executor units in the Ministry of Construction Industry (51.7 percent not provided), the Ministry of Mines (48.6 percent not provided), the Ministry of Petroleum (35.8 percent), the Ministry of Metallurgical Industry (35.1 percent), Ministry of Electric Power (31.2 percent) and so forth. Bearing in mind that providing the documents is the first condition for a noraml flow of construction jobs, it is necessary

for the beneficiaries of investments and institutes for design and technological engineering to take efficient measures to complete and turn over within the shortest possible time the entire volume of documents belonging to the jobs being carried out in this year, particularly for the projects forecast to be put into operation in 1983.

Contracting with the construction organizations for the construction-assemblv jobs which are to be built this year is way behind, too. The volume of jobs for which contracts have been concluded represents just 59.9 percent of the plan, with some builders in the Ministry of Industrial Construction,the Ministry of Petroleum, the Ministry of Metallurgical Industry, the Ministrv of Mines and Ministry of Electric Power being way behind. Actually, the action to conclude the contracts for work is not being carried out in its entiretv bv any ministry or county people's council. This state of affairs requires from the beneficiaries and builders that they take urgent measures so that the action of contracting for production of construction-assembly is ended in as short a time as possible and, on this base, the construction organizations can move to preparing conditions for the steady construction ofthe projects forecast in the plan.

Bearing in mind the high volume of equipment forecast to be assembled this year, the beneficiaries of investments must participate to a greater extent with their own forces in assembling the technological equipment, must take action all along the construction to verify and correct any defects appearing in the operation of the technological installations together with the equipment assemblvmen and to provide all conditions--training the labor force, material-technical supplv and supply with spare parts--so that the technological tests begin as soon as the jobs are finished.

The builders also have big duties for the steadv execution of the construction jobs; they are required to take action with much more firmness to establish an atmosphere of order and discipline of work on the job sites, to have better utilization of the technical resources supplied and mobilization of the reserves thev have available, particularly in utilization of the labor force.

By the responsible cooperation of all the factors contributing to implementing the investments--designers, beneficiaires, builders, suppliers of equipment--the existing shortcomings can and must be eliminated so that implementation of the jobs is assured according to the timetables approved, so that all the arrears are recovered in the shortest possible time and so that there is respect for the planned schedules for placing the new capacities into operation.

8071
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FACTORS TO BE CONSIDERED IN PRICE FORMULATION ANALYZED

Bucharest REVISTA ECONOMICA in Romanian No 8, 25 Feb 83 pp 10-11

/Article by Viorel Beju, lecturer at Cluj-Napoca University: "The Role of Prices in the Economization of Energy and Raw Materials"; passages enclosed in slantlines printed in boldface/

/Text/ Along with increasing the production of energy and material resources, the rational use of them, the economisation and better utilization of them, and the recovery of reusable resources and their introduction into the economic circuit are of particular importance to the national economy. There are well-set-up programs for this purpose, but prices, as a basic instrument in making the decisions along the line of supply and production and in orienting the demand, production and importation in prospect, must make a greater contribution. Prices must be a strong stimulus to economically use resources and eliminate any form of waste. However, in order to do this, prices must include all the expenditures that were made for extraction or for importation of the respective products, must reflect the social production expenses and the use value of the products in question.

The Reflection of the Social Production Expenses in the Price

In order to reflect the social production expenses in the prices in as real a way as possible, we feel that the expenses for discovering new reserves of natural resources, expenses that were borne directly or indirectly from the state budget in certain periods, should also be included in the costs and, implicitly, in the prices. In addition to this, some provisions of Law No 19/1971 referring to price setting should be applied to a greater extent. It is a question of the provisions in Article 13 of the law--namely: "In the case of the branches and subbranches in which the expenses for raw materials and supplies have a high percentage in the costs, the profits can be set in relation to the processing expenses." Consequently, in the processing branches that are big consumers of energy and material resources, /it would be possible to give up the "total cost" used as a basis for assigning the profit to a product and to use as a basis the processing expenses/ (mainly pay and amortization). The production cost, as a criterion for determining the profit, favors precisely the enterprises with high production expenses, generating the tendency to exaggerate them on the occasion of the renovation of production, and leads to the achievement of high material consumptions for a product. The use of the processing expenses to set the profit (net income) that is included in the prices of the final products would eliminate this shortcoming, increasing the concern of the economic units for economizing and raising the degree of utilization of these resources.

The redesigning and renovation of production constitute an aspect to which, in our opinion, greater importance must be accorded in order to provide for the economization of energy and raw materials. In this framework, we feel that the current consumption quotas and standards for liquid fuel, other fuel and electric power set according to economic branches, for the main products and groups of products, should be more detailed, starting from the more notable achievements obtained according to branches and subbranches of activity. The respective quotas and standards can thus constitute "monitoring keys" at the disposal of the economic bodies that analyze the price documentation for the new products and give advice on or approve the proposed prices. Clearly, the new products that do not provide even this necessary minimum of efficiency from the very start must not be allowed to be put into production. In addition, the respective standards could also constitute comparative indicators for the existing products in production, calling attention to the necessity of removing the energy-intensive ones from the economic circuit. In connection with applying the quotas and standards, /we also consider it necessary to practice a system of progressive prices and rates for the energy and material consumptions that exceed the standards/, as, in fact, are the prices for natural gas and the rates for electric power furnished to the population for domestic uses and lighting. It is true that, at present, in the case of the energy used by the socialist units, the regular rates are increased 20 percent for power consumed beyond the provisions in the contract and 10-fold for natural gas, but this increase involves the exceeding of the consumption in an economic unit as a whole and not for a product. The practicing of progressive prices and rates according to the material and energy consumptions would hasten the removal of products with excessive consumptions from production. The delivery prices of the products of the intermediate branches that are big consumers of energy resources--such as, for example, the prices for steel and semiproducts of steel, aluminum and other nonferrous metals, some chemical products resulting from the cracking of methane gas, rubber and various acids, glass, ceramic products, crockery and cement, pulp and paper, sugar and so on--can also play an important role in the direction of the economization of energy and raw materials. If the delivery prices for such products do not include the entire net income, they cannot constitute a factor for rationalizing the consumption in the customer units, since their percentage in the costs of the products of these units is lower. Consequently, it is necessary for /the delivery prices, especially of the products that include a big quantity of energy, to reflect the social production expenses, regardless of the destination that is given to the respective products/ (productive consumption, investments, exportation and so on).

The Stimulation of Technical Progress

Regarding the role of prices in the promotion of technical progress, it is manifested, on the one hand, in the encouragement of modern products and, on the other hand, in the discouragement of the manufacture of obsolescent products.

Referring to the first aspect--the encouragement of modern products--Law No 19/1971 stipulates that the prices that are set must provide for the stimulation of the putting of new products, with a high technical level and with greater efficiency, into production, for which purpose a higher profitability can be taken into calculation than that of products that satisfy similar needs. However, beyond this legal solution, in the economic units there are also encountered some practices of exaggerating the costs of the new product in the provisional estimate prepared in order to set the price, the aim being to obtain a "good" price and to fulfill without special

efforts the plan targets regarding costs and profit. The penalties provided by law for such violations are small and do not have the necessary force, in our opinion. For example, through these practices the producing units can obtain higher profits by tens, hundreds of thousands and even millions of lei in a year, and the fine that can be applied to the culprits lies between 500 and 2,000 lei. Along with the obtaining of such advantages by the producers who make use of such practices, the prices of the respective products have a tendency to grow absolutely and relatively, with negative effects on the national economy and especially on the financial administration of the units buying the products.

Among the reasons for the appearance of situations of this sort, we mention the failure to take into consideration the use value on the occasion of setting the prices for new products and the producer's obligation to calculate a price resulting from the correlation of the production costs and the technical, functional and construction parameters, so that the bodies that analyze the documentation and give advice on and approve the prices can set prices taking into account the interests of not only the producers but also the customers. In order to eliminate such practices, /we feel that, along with evaluating the production costs and the prices on the basis of the provisional estimate, it is also necessary to set the prices on the basis of parametric methods/ (using the correlation on the basis of comparing the technical parameters or the method of aggregation, the correlation depending on the categories of complexity and weight, the price series, the computing tables and standards and so on). /The elements necessary to substantiate the prices, taking into account both the efficiency in manufacturing the products and the efficiency in the use of them by the customers, would thus be provided/.

Regarding the second aspect of the stimulation of technical progress--the discouragement of the manufacture of obsolescent products--some specialists suggest the reduction of the production and delivery prices as the costs are reduced and the products become obsolete. This is a natural economic solution with an objective character, but, from the investigations made, it resulted that it is rarely applied in economic practice. In fact, if we stop to think it over, the producers are not interested in reducing the prices, and the customers, who have a direct interest in this regard, cannot initiate such a step since they do not know the costs achieved by the producers, the evolution of them from one year to another and the net income achieved by the producers. The reduction of the production and delivery prices (which are usually equal in the case of means of production) can be initiated (proposed) by the centrals and ministries in charge of the producing enterprises. Moreover, the provision in Law No 19/1971 referring to price modification is also quite general. For example, in Article 132 of the law it says: "The modification of prices and rates can be done only when significant changes occur in the conditions in the economy taken into account on setting them and in the level and correlations of prices on the foreign market." In our opinion, in order to eliminate the subjectivity in judging these changes and to bring more order to the modification (reduction) of prices, also providing more flexibility to them, /it is necessary to make more concrete specifications by means of other regulatory acts. For instance, it should be specified from what percent of reduction in costs or of growth in profitability changes in the prices of the producers must be made/.

Greater Mobility for Production Prices

The reduction of the costs and the appearance of excessive profitabilities must call attention to the necessity of reconsidering the level of the prices, and if for

various reasons of economic policy it is felt that it is necessary for it to remain unchanged, then the financial instruments for regulating the rate of profitability must be used: the deduction of part of the value of the net output for society or the commodity-circulation tax. The retention of products (that are becoming obsolete) with excessive profitabilities decreases the concern of the enterprises for the renovation of production, for the further reduction of the production costs, and, at the same time, favors the tendency to violate plan discipline, especially with regard to the structure, in the sense of shifting the manufacturing structure from products with low profitabilities, but necessary to the economy, toward products with high profitabilities. Consequently, /in the situation in which it is felt that it is necessary for both the delivery price and the production price to remain unchanged, the product's excessive profitability must be regulated by means of the deduction for society/. This solution is provided by Decree No 429/1978 on the Deduction of Part of the Value of the Net Output for Society, in which it is specified that for the products for which the profitability exceeds by more than 5 percent the average profitability in the enterprise, the sum associated with this excess represents a deduction from the net output's value allotted to the product. But this measure too is applied only partially--that is, usually only on the occasion of setting the prices for new products, when, in the paperwork used, the economic units are obliged to break down, if necessary, into profits and a deduction from the value of the net output, the net income that is included in the production price.

If, as the profitability increases, it is felt that only the delivery price must be kept unchanged, it is possible to reduce the production price and introduce the commodity-circulation tax, by means of which the difference between the two prices will be taken into the budget. This would be a solution that could have a wider application since, in our opinion, the mobility of the production prices should be greater than that of the delivery prices. The assertion is based on the fact that the production price is a price of the producer and, in general, its evolution is determined by the evolution of the costs, which, with some exceptions, have a continual tendency to drop, and the delivery price is a price that mediates the circulation of the products to customers and, in return for it, the customers get a concrete use value. But, in general, the use value, as a basic element of the delivery prices, remains the same for the whole life of the product, also imposing a certain stability on the delivery price. It is true that improvements are gradually made in the use value of the products in production, but when they are significant, we are dealing with new products, for which other prices are set. Consequently, the different evolution of the two basic factors in the prices also imparts a different evolution to the two categories of prices. The failure to take the action of these factors into consideration and the adoption of the measure of reducing the production and delivery prices (which were equal in the beginning) at the same time and to the same degree are not of a nature to stimulate the renovation of production except partially, since through such a measure the producer's interest in making the product that is becoming obsolete decreases, but, in exchange, the customer's interest in procuring the old product increases, since it is cheaper. However, both the producers and the customers for the product must be equally interested in replacing the old products with new ones.

In conclusion, /in order to achieve unity in the interests of the producers and the customers in the removal of obsolescent products from production, we feel that greater flexibility must be given to the production prices than to the delivery prices, and in situations when they are reduced simultaneously, the reduction duri

be smaller for the delivery prices than for the production prices, with the difference taking the form of the commodity-circulation tax/.

The technical and operational record within the socialist units must have a very important role in making the decision to set or to change the prices and in forecasting and planning them. Extensive documentation, needed, in fact, for the substantiation of the price proposals, for the analysis, the giving of advice on and the approval of the prices by the competent bodies, is prepared on the occasion of putting new products into production. After the prices are set and the new product is put into production, the production costs are planned and followed annually. Henceforth, the analysis amounts to comparing the costs and profits planned in each year with the actual ones. Nevertheless, this analysis, in fact very valuable, has too small a scope.

It is found that the information contained in the price documentation is not utilized sufficiently, in the sense that it does not constitute a basis, a starting point, for analyzing the evolution of the elements of the prices as time passes. At some units, the price documentation, as well as the documents for annual cost planning and those regarding the actual costs, are put in storage after a short period, even a year or two, making it difficult to get the respective information in the following periods and to achieve a connection between this information and the evolution of the elements of the prices. One consequence of this fact is the poor substantiation of the annual costs by the respective units, leading to the ex-officio modification (reduction) of the proposals of the units in question by the higher-ranking bodies.

In order to eliminate the shortcomings existing in this field, /we feel that it is necessary to introduce a system for following (at least annually) the evolution of the elements of the prices for a product according to the model and structure existing in the Provisional Price Estimates prepared on the occasion of setting the prices for new products/. Of course, some difficulties in introducing this record can appear, especially at the units with a big assortment of products. At such units, it is possible to follow the evolution of the elements of the price only for the main products or groups of products with a high percentage in the total production. The organization of such a primary record at the basic units would facilitate precise knowledge of the evolution of the production conditions, would permit the units to verify with facts the soundness of the proposals that they made on the occasion of preparing the price documentation and would provide greater effectiveness and precision in making the decisions along the line of prices.

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MEASURES SUGGESTED FOR IMPROVING REGIONAL SELF-SUPPLY

Bucharest REVISTA ECONOMICA in Romanian No 8, 25 Feb 83 pp 12-13

[Article by Dr Gheorghe Alfiri: "Greater Tasks and Powers in the Territorial Supply for the Population"]

[Text] Restructurings of Consumption in the Industrialization-Urbanization Process

The implementation of the scientific policy of socialist industrialization of the country, with its many advantages on an economic and social plane, has caused in all counties a significant increase in the size of the population of the worker centers and cities and, as a consequence, an increase in the consumption need for agricultural and food products to a greater and greater extent--a process that will also continue in the future.

Significant social and economic changes have also been produced in the rural area, where, even under the conditions of self-consumption, one finds an increase in the demand for industrially processed foodstuffs, such as sugar, edible oil, pasta, canned meat and vegetables and so on (in addition, the trend of buying, in certain proportions, some quantities of bread, flour and meal has also appeared). The demand shows variations according to counties and localities, in relation to their agroindustrial specific character and the volume of their own resources, in kind, obtained by producers in the agricultural production cooperatives and on the individual farms. This phenomenon has been influenced by the formation of the agroindustrial production complexes--true nuclei of the future cities with an agrarian-industrial specific character--within the counties, by the growth of the number of specialists in the rural area and so on.

The program regarding self-management and self-supply for furnishing animal and vegetable products to the population in the 1982-1985 period raises--for the people's councils and for the bodies of agriculture and the food industry in the territory--the problem of the year-by-year adaptation of the production on a territorial basis to the needs for the stock of agricultural and food goods meant to supply the population, in the volume and structure determined scientifically by the domestic-trade bodies, taking for this purpose effective steps to adjust the programs for development of vegetable and animal production and the targets for deliveries to the state supply--for each county--so as to provide on a local level both complete coverage of the quantities and assortments of agricultural and food products needed for forming the county consumption fund and the deliveries to the centralized supply, in relation to the real possibilities and the specific character of each county, city and commune.

Referring to the way of forming the consumption, to the correlation between it and the state supply, the secretary general of the party judged: "The deliveries to the state supply must be provided at least proportionally and, accordingly, the consumption must be provided in proportion to the achievement of production."

The attainment of these objectives, of major importance to our national economy, requires in the current stage the widening of the application of the principles of self-management and self-supply on a territorial basis and the putting of the relations between the food industry and agriculture and between these axial branches of the economy and the domestic-trade system on economic bases in all stages of planning and fulfilling the plan. In this regard, it is necessary to expand the role of domestic trade--state and cooperative--as a planned connecting link between production and consumption, which must act equally both on agriculture and on the food industry, as a consumption-balancing factor, in order to get them to produce (quantitatively and qualitatively) on a par with the requirements for a scientific, balanced diet, providing the assortments needed by all categories of the population.

Economic Factors in Self-Supply

Efficient application of the principles of territorial self-management and self-supply requires a better correlation at the level of the counties between needs and resources, the achievement of long-term stability between the sources for furnishing raw materials and the processing units of the food industry, between the producers and the users of the consumption fund, under the conditions of the growth of the role and powers of the people's councils, which bear the responsibility for completely fulfilling the supply plan, including through supplementation with products that do not have favorable production conditions within the county.

In the current stage, in order to attract additional resources of vegetable and animal agricultural products into the economic circuit to a greater extent, the activity of purchases and contracting with the population's farms for the state supply must be concentrated exclusively in the local bodies subordinate to the county unions of cooperatives for production, purchases and commodity sales, it being necessary to also solve accordingly the problem of granting incentives in fodder and corn for the breeders of animals.

Under the conditions of the generalization of territorial self-management and self-supply, one distinguishes that, in the first 2 years of the 5-year period, the executive committees of the people's councils in many of the country's counties managed--for the majority of the basic products (wheat for flour and bread, corn for meal, sugar, edible oil, fish, potatoes, onions, fruit, greens and so on)--to cover their own consumption need by means of self-supply, resorting less and less to help from other counties. Thus, in the period of 1 January to 31 August 1982, the entries of agricultural and food products into the state supply exceeded significantly, in the country as a whole, the quantities devoted to the deliveries for forming the county consumption funds for a number of products, such as 2.7-fold for fruit, [illegible].5-fold for potatoes and so on.

These positive results, which can also be extended to other agricultural and food products, illustrate the use and generalization of efficient ways and means within the counties, such as the improvement of the crop planning in relation to the needs and the soil and climatic conditions, the expansion of the range of agricultural

plants, the cultivation of all land resources, including under irrigated conditions, and of unused suburban land, the development of pisciculture through the better utilization of the bodies of water (lakes, including those for storage, rivers, pools and ponds) and the intensive exploitation of them, the expansion of the fruitgrowing areas through the planting of orchards in intensive crops and the revitalization of the existing ones, the sensible use of the land plots of the cooperators and the land in the possession of the personal farms, and so on, providing, in this way, better utilization of local resources and, in consequence, growth of the commodity supply needed both for each locality's consumption and for the delivery of big quantities to the centralized supply of the state.

From Programs to Products

In carrying out the self-supply programs in some counties, however, there still are shortfalls, especially for animal products (meat and preparations of meat, milk and dairy products, eggs, canned meat and so on), for which--although the results are good on the whole--they did not manage to produce the planned quantities of meat in a number of counties, such as Satu Mare, Bistrita Nasaud, Botosani and Mehedinti, or milk in Arges, Bihor, Bacau, Satu Mare and Mehedinti, with negative consequences, of course, with regard to achieving the deliveries to socialist trade and the state supply.

As a result of the measures established, the executive committees of the people's councils have already proceeded to draw up special programs for creating the material resources needed in order to increase production and provide for local consumption, with special attention being devoted to eliminating their own shortcomings and utilizing at full capacity the production potential of each unit, taking into account the conditions, the real possibilities and the traditions of each locality.

In this regard, the main attention of the executive committees of the people's councils, the agricultural general directorates in the counties, and the competent central bodies is being and must be concentrated further in the direction of eliminating the current difficulties and shortcomings that create irregularity in the population's supply of agricultural and food products--seeking to attain, within the framework of steadily applying the principles of territorial self-management and self-supply, objectives of great significance to the national economy, including:

The organizational, economic and financial strengthening of each production unit (CAP [agricultural production cooperative], IAS [state agricultural enterprise] and so on), in accordance with the requirements of the economic and financial mechanism;

The growth of the populations of cattle, hogs, sheep, poultry and so on in the socialist agricultural units and the skilled tending of the animals, in order to provide the planned outputs;

The revitalization of our country's tradition of raising sheep and milk cows on the population's farms and the providing of the proper feeding of them;

The establishment of proper micro farms under the people's councils and of appended farms under the public-food-service units and the units with collective consumptions (commissaries, schools, hospitals and so on), which would provide at least 50 percent of their consumption need for meat, milk, vegetables and greens around 1985 and all of it by [illegible];

The organization of pig-breeding farms under the milling and baking enterprises;

The allocation of land to the county's inhabitants, in order to cultivate it with vegetables, sugar beets and sunflowers, with a view to concluding contracts for these products with the state, obtaining industrialized food products (sugar, edible oil, canned vegetables and so on) in return, in conformity with the standards and conditions provided by law;

The raising of the contribution of the preurban agricultural basins to supplying meat, milk, eggs, potatoes, vegetables and so on to the population in each municipality, depending on the climatic conditions and the specific character of the development of the agriculture in the respective zone;

The expansion of the arable area allocated for fodder and of the pastures, the raising of the production potential of the natural meadows through fertilization, the utilization of the traditional communal grasslands that were abolished and the resowing of them;

The collection and utilization of secondary fodder resources (straw, corncobs, runners of kidney beans and soybeans and so on);

The better organization of the concluding of the contracts for furnishing the products to the state supply;

The maintenance and harvesting of the field crops at the proper time.

The list of these measures could continue, since each county, locality and commune has its own specific character, both along the line of production and consumption and with regard to the soil and climatic conditions, with the main attention having to be concentrated on utilizing the local resources and the work force under better conditions of efficiency.

Careful supervision of each measure within the local territorial self-management and self-supply programs, for increasing the local production of each product in relation to the needs, contributes to the creation of the material conditions for fulfilling and even overfulfilling the production plans and, on this basis, providing for the population's consumption--at the level of the standards provided in the Program for Scientific Nourishment--and the deliveries to the centralized supply of the state, taking into account the needs of the national economy.

The Criteria for Personal Interest in the Planning Methodology

With a view to the achievement of the basic orientations of the program regarding territorial self-management and self-supply for providing animal and vegetable products to the population in the 1982-1985 period, the Ministry of Agriculture and the Food Industry, the Ministry of Domestic Trade, the Committee for Problems of the People's Councils and the Central Union of Cooperatives for Production, Purchases and Commodity Sales have established methodological instructions with regard to determining the deliveries of agricultural and food products to the county consumption fund, for meat, milk and derived products, in relation to the fulfillment of the plan for entries into the state supply.

From the analysis made by the bodies of the Ministry of Agriculture and the Food Industry and the Ministry of Domestic Trade with regard to the way in which the provisions of the program for territorial self-management and self-supply of the population are fulfilled, it results that, on the whole, the formation of the county consumption fund in relation to the achievement of the deliveries to the state supply stimulates, in general, the concern of the executive committees of the people's councils for growth in vegetable and animal production.

The analysis of the deliveries to the state supply and the market supply in 1982 according to counties reveals the positive fact that, from a quantitative viewpoint, the deliveries to the county consumption fund do not exceed--in any county--the entries of products into the state supply. On the other hand, in some counties the deliveries meant to supply the population exhibit shortfalls (Arad, Bacau, Bihor, Brasov, Iasi, Ialomita, Timis and others), a situation that cannot be explained by the level of the production or resources in the respective county but is due largely to the current methodology of calculation for determining the so-called "consumption right." It should be mentioned that there are counties with huge entries into the state supply, for example, for meat (Arad, Bihor, Timis and Ialomita) and for other agricultural and food products, for which the percentage of the deliveries meant to supply the population in the total entries into the state supply has moderate values, usually lying between 20-25 percent and even below 10 percent, with the difference consisting of the products delivered to the centralized supply that are meant to furnish raw materials to the food industry and to cover other needs of the national economy.

In the light of the instructions given by Comrade Nicolae Ceausescu with regard to the production/consumption-fund/state-supply ratio, we consider it necessary /to revise the current methodology for determining the deliveries of agricultural and food products for forming the county consumption fund, in the sense of taking into consideration both the fulfillment of the plan for deliveries to the state supply and the contribution of the respective county to the growth of the resources of goods put at the disposal of the national economy/ [in boldface]. We have in mind the establishment of the deliveries for the county consumption fund in proportion to the percent of fulfillment of the plan for entries into the state supply, in the spirit of Law No 1[illegible]/1980.

/At the same time, practice reveals the necessity that the changes that occur in the achievement of the planned deliveries for forming the county consumption fund be regulated only on the basis of economic contracts/ [in boldface], concluded by the commercial enterprises with the suppliers in agriculture who have tasks of deliveries for the market supply. In this framework, trade--as a connecting link between production and consumption--has the obligation to exercise strict control regarding the quality of the production under contract and regarding the volume and structure of the deliveries meant to supply the population.

A current problem that must be solved properly in the next stage consists of improving the substantiation of the consumption fund, with it being established on a territorial basis by the Ministry of Domestic Trade and the county trade directorates, on the basis of the consumptions provided in the Program for Scientific Nourishment of the Population, which constitutes a main element in the substantiation of the production programs by the Ministry of Agriculture and the Food Industry, in the establishment and territorial allocation of the plan for deliveries to the state

supply. As the secretary general of the party said in the speech at the recent National Conference of Chairmen of the People's Councils, "It is necessary to understand fully that the fulfillment of the contracts, of the delivery of the agricultural products under contract, of the animal products, to the commerical and economic organizations, constitutes a vital necessity for carrying out the self-management and self-supply program."

The application of the principles of territorial self-management and self-supply involves, for the commercial bodies, the taking of steps in the relations with the producers--agriculture and the food industry--that would lead to the strengthening of the role and authority of the state plan as a basic instrument in orienting the population's consumption and the setting of the deliveries of goods for the market supply. To this end, in establishing the county consumption fund--for the basic products--the plan for retail sales approved for each county, the providing of the reserves needed for regularity in the sales of goods to the population, and the exchanges of agricultural and food products with other counties should be taken into account in all cases. In this way, the development of the exchanges of goods between counties and of the forms of direct economic mutual aid and cooperation between counties and localities on the basis of the economic contract will be stimulated, giving to the executive committees of the people's councils the possibility of using to the utmost, under better conditions of efficiency, the resources and concrete possibilities of production, taking into account the specific character and the characteristics of each zone, and of continually adjusting the crop planning, the programs for development of vegetable and animal production and so on, with positive influences along the line of supplying the population.

The improvement of the contractual mechanism includes the listing of the main suppliers for the market supply in the state plan, thus providing for the demarcation of the deliveries for supplying the population from the other deliveries, meant for the food industry and for exportation. The distinct establishment of the factories for the deliveries to the market supply will permit domestic trade to have on industry a more active influence for increasing the production and diversifying the assortments, in relation to the concrete needs for supplying the population. Under these conditions, the production programs set for the market supply by the bodies of agriculture and the food industry would have to have the advice of the central and local domestic-trade bodies, thus increasing the responsibility that goes to the producers and to trade for regulating the market, for supplying agricultural and food products to the population in a steady, balanced manner.

In consequence, the county consumption fund, so constituted--put under contract and self-administered by the local commercial bodies--and substantiated in complete accord with the scientifically determined food requirements, is conceived to become a factor for strongly influencing the development, quantitative and qualitative, of the production of agriculture and the food industry, with a view to properly supplying agricultural and food products to the population--a basic objective in carrying out the programs for territorial self-management and self-supply.

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NEW WORK PROGRAM DESIGNED TO INCREASE COAL PRODUCTION

Bucharest REVISTA ECONOMICA in Romanian No 7, 18 Feb 83 pp 6-8

[Article by Dorin Constantinescu]

[Text] Proceeding from the fact that development of the base of raw materials and energy materials of Romania is a vital requirement for the entire economy, a basic condition for the multilateral progress of our socialist country, the workers in all mining operations currently are carrying out multiple actions with particular enthusiasm and energy to fulfill the major goal of extracting as much coal and ore as possible and delivering it this year. Answering the call of the party's secretary general and the tasks established at the recent working meeting of the RCP CC, the country's miners have moved to practical application of the new programs of activity intended to provide for better use of the equipment supplied, superior organization of work on the coal faces and in the pits and for the continued growth of labor productivity, reduction in auxiliary personnel and extending bargain by the job by brigades, sectors and units.

As a result, superior results over the plan tasks have been obtained in the period of this year which has passed; in January and the first ten days of February nearly all the carbon-bearing as well as ore operations fulfilled and overfulfilled their plan forecasts, which proves the great possibilities existing for exemplary fulfillment of the tasks for all of 1983. Also, the commitments taken on at the recent workers' general meetings and at the broadened meetings of the base organizations in the sectors, operations and mining enterprise fully provide firm determination of Romania's miners to raise all activity to new steps of quality, thus providing the national economy with quantities of coal and ore which are higher than the plan forecasts and providing them month after month.

Better Organization of Work in the Mines and Big Pits

A broad political and organizational action of this month once again has shown through eloquent results the capability of our party and of its general secretary, consistently seeking to fulfill basic strategic goals, to emphasize in each stage the basic problems upon which social-economic development depends and to bring--on the basis of broad consultation by those involved--overall and detailed methods for solving them and to involve the masses of workers in establishing and carrying out the practical measures for implementation and full utilization of these methods.

Proceeding from the demands of the special program adopted by the national party conference with regard to superior utilization and increase in the base of raw materials, minerals and raw energy base, answering the call addressed by Comrade Nicolae Ceausescu in his speech to the working meeting of the RCP CC on 28-29 January 1983 with the leadership cadres, specialists and workers in the mining and geology industry, miner collectives from underground and from the large coal and ore pits have moved to a working program which provides that the particular units actually operate according to the principle of the enterprises working with continuous firing. In the meetings of the party aktiv and workers' representatives the actions which are to be undertaken were analyzed and finalized with responsibility and discernment, actions so that within the new program the improvement in the organization of production and work, technical and technological progress, strengthening of order and discipline be carried out in a substantial growth in the quantities of coal and ore extracted.

Production and Labor Productivity Must Correspond to the Units' Modern Technical Supply

The measures taken upon the initiative of the party's secretary general have a solid objective justification. Our society is spending giant resources for the rapid development of the extraction industry, which the 12th congress placed in a priority position, taking into account the importance in the current world economic situation of drastically reducing dependence on the importing of raw materials and energy bearers. We are in the full process of supplying the mining units with equipment of high productivity at the top level of modern technology. The level which this supply has now reached is illustrated by the fact that the value of fixed capital in the mining industry represents 274,000 lei for each worker. In the first two years of the current five-year plan new capacities were put into operation for a production of 8 million tons of coal (equivalent to more than one-fifth of what was achieved in 1980) and 3 million tons of ore; continuing, by the end of the five-year plan the average annual volume of investments will increase by more than half so that by 1985, compared with 1982, production of lignite should rise 2.3 times, pit coal--1.7 times, copper-bearing ores--3 times, complex ores--1.4 times. The miners' material working and living conditions are continually improving (in the 1976-1982 interval jobs were carried out valued at around 1.5 billion lei for completing and modernizing ventilation, lighting and transportation undergound, mechanization replaced or considerably facilitated heavy work, thousands of apartments were put into use, social services were broadened) and their earnings marked substantial increases.

It was expected that this important effort would have corresponding effects at the level of labor productivity and volume of extraction. However, the evolution of these indicators remained below the level of actual possibilities. Last year's increase in net coal production of 1 million tons over 1981 was below what had been planned, which caused difficulties for other sectors of the economy, particularly the electric energy industry; the production of certain ores also recorded lags. Physical production in a number of mines stayed in place.

The reasons are preponderantly in the area of production and labor organization and, among them, what had a clear unfavorable effect was the move from the

underground working program with three 8-hour shifts to the one with four 6-hour shifts--a measure which not only was not justified in the context of the new conditions of mechanization, safety and work hygiene but it did not produce the economic and social results anticipated and, on the contrary, created costly difficulties. To say nothing of the reduction in actual working time by increasing the number of entries and exits from the mine and many units could not provide the necessary qualified workers for appropriate organization of the production cycle and complete conclusion of it on the working line for each shift, as such resorting to assigning one shift almost exclusively to supply working places, maintenance and repairs, which caused the incomplete use of the extraction capability. Of the number of workers employed in service activities, the number of those assigned to pumps, ventilators, measurement of gases, signaling, coupling of the cars and so forth was supplemented in order to provide for operation of the fourth shift, with the needs for a labor force remaining partially uncovered in order to maintain and repair the equipment, the means of transport and ventilation and for supply. Under these circumstances gaps appeared between the quantities planned and those actually extracted, and sometimes in order to recover the deficit they resorted to working on their day off, when occupying of the fronts hindered or made more difficult the maintenance of mining jobs, means of access and transport, the carrying out of revision and current repairs on the equipment, for which the seventh day of the week had been reserved. So, a greater effort for the miners and a labile organization favoring deviations from discipline.

A Working Program With Continuous Activity and Material Incentives To Increase Production

During the last weeks the mining enterprises and combines, in accordance with the order of the party's secretary general, moved to a more rational organization of the working program, intended to contribute to fulfilling the higher plan tasks and to recover the miners' ability to work.

Under the new conditions the working time is as follows:

Forty-six working hours per work (with 5 free days a month) for worker personnel in the surface activities;

Forty-four working hours per work, with an 8-hour shift (with 6 days free per month) for worker personnel underground and in the big pits with normal conditions;

[illegible] with an 8-hour shift (with 8 free days per month) [illegible] working conditions and with a certain degree of [illegible] personnel underground.

Thus, a broad category of workers in the mining industry has been provided an [illegible] month.

With regard to [illegible] takes place in a continuous program of 6 or 7 days per week, a time during which the revisions, maintenance and repairs of equipment, [illegible] and mining jobs are done.

Under conditions of increasing the length of the working shift by one third (from 6 to 8 hours) and of reducing the daily number of positions (from 4 to 3), the tax per unit of product (ton, cubic meter) remains unchanged. Increasing the stock of working time for the miner formations thus facilitates fulfillment and overfulfillment of the monthly physical task, for which they enjoy a progressively increasing scale so that a substantial rise in earnings is expected. The 10-percent bonuses added to monthly salary (a percentage which can be supplemented or reduced depending on the degree to which the plan is fulfilled) which underground personnel are to receive, for which jobs, due to the specific nature of the activity, piece work cannot be organized, will be direct material incentives for this category of workers in fulfilling the collective's production tasks; just as the personnel who are indirectly in production on the surface, operationally and so forth, who do not work according to piece work if they provide for fulfillment of the planned tasks with a lower number of people than normed, are to obtain as a supplement four- fifthsof the amounts saved in this way for the salary fund, which will be an impetus for reducing to the minimum necessary this personnel and moving those who have become available to direct production activities.

The personnel which has become available from the auxiliary activies and service activities underground and at the surface are to be assigned to the faces, preparations-openings as well as to covering the working fronts on the sixth day of the work (where underground personnel work 5 days, while the mines operate 6 days).

There is particular importance in the move from bargain by the job by working formations to that by regions, sectors and even mining units with the entire number in them. Experimented with and having produced good results in other branches and sectors of the economy, this superior form of organization and payment for work is capable of stimulating the conscious, responsible, coordinated and integrated effort and responsibiility of all those participating directly or indirectly in carrying out production--up to the head of the sector or the director--and their earnings will be directly proportional to the results obtained by the entire sector or by the enterprise. Methodological specifications are being finalized, but starting now the spirit of this measure must guide the work of each worker.

These improvements which, with appropriate adaptations, are to be generalized throughout the economy correspond fully to the principle formulated by Comrade Nicolae Ceausescu at the national party conference--that each worker's salary and incomes should better reflect the work put forth, the contribution made to fulfilling the production plan, with incomes being determined in proportion to the quantity and quality of the work. The miners have accepted them with confidence, while the commitments taken as well as the record productions obtained in many mines today prove the understanding of the essence of the socialist principle of distribution and its profound implications for the system of worker self-leadership and self-management.

The Priority Role of Good Organization

A broad and permanent activity of organization must follow the adaptations in the first phase for the transition to the working program with continuous activity with a view to its operation with high parameters of productivity and economic

efficiency--an activity in which there must be full involvement of heads of shifts and of brigades, foremen, heads of sectors, all technical-engineering cadres and the leaders of the mining enterprises. As Comrade Nicolae Ceausescu pointed out at the working meeting of the RCP CC, the organization of teams, brigades, sectors and enterprises on the principle of bargain by the job means a new concept and requires that all activity be directed toward production, toward guiding the sectors and solving the problems not in the office, not on paper, but on the spot, on the working fronts, while the other activities--and the personnel attached to them--should be reduced to what is strictly necessary.

Providing the working formations for production on a priority basis, having them be a balanced size according to the monthly programs, compiling the job papers, applying all the measures needed to use the equipment at full capacity, intensive and extensive, eliminating bootlenecks along the working cycle, sensibly organizing the service of working places, of carrying out repairs and revisions on equipment and maintenance of mining jobs, shortening the time for opening-preparation jobs and the period for putting machinery into operation, adequately supplying the equipment of small mechanization which eases work and increases the degree of safety, efficiently and rationally establishing the programs for supplying the jobs, the programs of transportation in the mine, horizontal and vertical, for the personnel, production and material, regulating the energy supply and the operation of the cabins for safety lamps, the locker rooms and shower rooms, drawing up the timetable for transporting personnel to and from home, programming days off for the underground workers and so forth are the kinds of problems which require the active participation of the leadership cadres and specialists and which must be solved with the broad consultation of the miners.

Completing the numbers needed--primarily the qualified workers--at the level of the higher production plan and in accordance with the task for increasing labor productivity also is an organizational priority. The main source should be the existing labor force, from which are provided the operating fronts, intervention in the reserve ones when needed as well as openings of new fronts. It is being taken into consideration that a vertical professional shift of certain workers with special aptitudes demonstrated by special results can be carried out through exceptional reduction of the normed stage, promoting to miner the miners' aids and completing their ranks with other qualified workers underground, whose places will be taken by drivers and men from other trades; through forms of vocational advanced training they all will have to adapt to the new requirements and fill in their knowledge according to the need for appropriate operation of the equipment supplied. According to the extent to which there still will be a lack, appeal will be made to the labor force in other sectors of the economy--[illegible] who will be trained for the specific nature of mining work through stages of practice and 6-month courses) and other workers (who will become qualified through courses while on the job, lasting a maximum of [illegible] months). Measures are being established which will permit short-term [illegible] with their housing.

It should be understood very well that the organization of production and work in mining [illegible]

in the uninterrupted change of the working fronts, that overall and correlated with the solution to social problems, it must be the necessary coagulant for establishing and maintaining a climate of order and discipline, for keeping the cadres permanent, for uniting efforts with a view to increasing production, the base for greater earnings. The leadership councils in the mining enterprises and combines are required to take firm action and to strictly seek application of the programs of measures approved by the general meetings of workers and to imprint among the collectives the spirit of responsibility, emulation and participation and full awareness of the leading role belonging to miners in broadening the national base of raw materials and energy--a decisive problem for implementing the general program for Romania's development and for raising the people's well being.

8071
CSO: 2700/148

LIFE OF JIU VALLEY COAL MINERS DESCRIBED

Bucharest FLACARA in Romanian 18 Feb 83 p 8

[Interview with Radu Balan, Hunedoara County Party Committee first secretary, by Dumitru Graur]

[Text] [Question] Respected comrade first secretary, you have welcomed us into your office with the same friendliness you always have shown us, even without having set a specific day and time for the meeting. Please agree that we use this occasion to discuss the most current point on your agenda: coal!

[Answer] Truly, following the tasks given us by the recent working meeting headed by Comrade Nicolae Ceausescu, party secretary general, the absolute priority for this beginning of the year is the one connected with providing Romania with more coal and ores, so necessary for the national economy, with the requirement being precisely established in a special program adopted by the national party conference to ease Romania's commercial balance and later, still during this five-year plan, to gain energy independence, in agreement with the strategic goal established by the 12th congress. As far as we are concerned, above all we have endeavored to make each worker underground, each miner understand the need for introducing the new working program and the new organization of work. The appeal made by Comrade Nicolae Ceausescu in January for better organization was received with true enthusiasm in the Jiu Valley, too, with the miners from the most important coal-bearing basin in the country understanding that the measures adopted have a double meaning: both that of increasing coal production as well as that of facilitating their work by increasing the efficiency of mining jobs and reducing the workweek.

[Question] Specifically, comrade first secretary, what are the changes which have been produced?

[Answer] We know that the work cycles underground require a certain working time connected with the blasting, evacuation, facing, and in 6 hours there was not enough time to carry these jobs to their completion. When the working day ended, these [illegible] being interrupted, time was needed to pick them up by [illegible] shifts. About one-half hour from each shift was being lost to maintain the equipment and then some defects appeared and until they were corrected very little actual working time was left. Actually, there were jobs where [illegible] during a shift. By moving to the new organization of work with [illegible] shifts, the actual working time has risen

considerably and the production flow has become easier, people are working better and, as a result, they are earning more. But the most important thing is that in the new organization the work cycles continue from one shift to another by taking over directly underground. Then, by reducing the work-week to 5 days, many possibilities are created to use free time both for recovery of the work force or for the children's education and participate in spiritual life as well as for a more solid organization of actions to raise the level of professional knowledge.

[Question] From what I heard, in recent days you were continuously present in the Jiu Valley.

[Answer] I participated in a number of meetings with the entire party aktiv, I had talks with the communists, I entered the mine and even followed the men to their jobs. There was very much useful discussion about the new working program, about the need to increase coal production and the specific opportunities for achieving this imperative, discussions in all the general meetings of the 186 RCP base organizations as well as general workers meetings in each mining enterprise in the Jiu Valley. There was much discussion about the sense of responsibility, matters were made understood down to the smallest detail and the results of these efforts already have begun to be seen.

[Question] Just a moment, comrade first secretary. You have said you entered the mine. Could you tell us just how long you stayed there?

[Answer] Do you think this is important?

[Question] It is, in my opinion!

[Answer] I have been in many mines in sectors 4 and 6 in Lupeni, in sector 1 in Aricani--there is nothing unusual about that! I resurfaced after 8 hours, the length of an actual shift, but only after I saw with my own eyes how work is going under the new conditions and after I talked with the people and helped them a little.

[Question] You helped them?!

[Answer] Yes, a little. It so happened that a conveyor had become blocked and they needed a helping hand with the shovel. I was happy to handle that shovel, although I had not done that for a long time. I was a miner, too, in my youth.

[Question] And, comrade Balan, what did you find out there, underground?

[Answer] A multitude of things. First, I realized that the men, too, were awaiting some changes in the organization of work and, as such, the indications from comrade secretary general directly met these wishes. Also, the speed with which they were understood proves the respect which the party's secretary general enjoys in the Jiu Valley and his clearsightedness, too, his intuition about the specific problems on any job. I would like to emphasize that even starting on Monday, 7 February, the most famous work brigades from Lupeni, the one from Grasu, the one from Copandi and Budiriceanu succeeded in obtaining much greater production than in the preceding days. It was the first day that the new work program

was being applied, but, for example, Budiriceanu, made nearly a norm and one-half--250 coal cars to be exact, compared with the 180 which was the daily plan. This fact--the fact of increasing actual production--however, also creates a number of duties for the leaders of the enterprises and for all factors contributing to the good flow of production and its efficiency. Primarily I am referring to the need for solid supply of the working front. Clearly, we shall extract much greater quantities of coal. Precisely for that reason we need the irreproachable operation of the transport installations, prompt supply with materials and spare parts needed and so on and other organizational problems. As a new measure we took the decision to establish some warehouses for parts, subassemblies and even reserve motors underground so that the current repairs can take place faster without having to wait for parts from the shops at the surface. We also are thinking of creating some service formations, comprised of specialists in fast repairs of the combines or transport locomotives as well as several working formations which would be concerned only with disassembling and assembling the mining complexes. In this way, the miners no longer would have to be concerned with this job and they could move rapidly to another face, prepared in time, provided with the mining complexes I have spoken of by the formations specialized in this work.

[Question] The measures adopted by now as well as those planned undoubtedly will [illegible] increase in labor efficiency in the Jiu Valley, to [illegible] production. They are especially necessary, as [illegible] secretary general, pointed out, since we know that in [illegible] plan was not fulfilled in the Jiu Valley by nearly 900,000 tons, among which [illegible] were [illegible] coal. Under the new conditions, what do you think [illegible] this year's achievements?

[Answer] [illegible] that in 1982 we obtained the poorest production [illegible] from the transition to the program of four 6-hour [illegible] working system, the plan was only fulfilled in a single [illegible] in which it was adopted. And what is more, it has been [illegible] that despite the investing of nearly 11 billion lei for processes to mechanize [illegible] cutting as well as transport, labor productivity [illegible] of coal per [illegible] day. This year, [illegible] program, we were obtaining in a working day [illegible] under the conditions in which they were working on [illegible] obtained in this way was distributed [illegible] since we moved to the new program, we really [illegible] the record in the Jiu Valley, as we [illegible] day, on [illegible] February, when [illegible] more than [illegible] tons [illegible] obtaining [illegible] tons of coal [illegible] first half of this year?

[illegible] taking these figures [illegible]

[illegible]

[illegible]

Our daily plan for net production is 24,163 tons. The average of the days which have passed since adoption of the new program, however, is 24,664 tons. This is the reason for which I am coming out very optimistically for fulfillment of the production plan and even considerable overfulfillment of it.

[Question] Comrade first secretary, you were saying earlier that now the men have have the opportunity for higher earnings. Could you give an example?

[Answer] A very simple calculation, even without taking into consideration all the elements which intervene from the new organization, has given us the opportunity to state that the increase in salary would be between 100-380 lei. The results obtained after the first seven days, however, made us reconsider the calculation, with the rise in earnings monthly possibly being 250-1,000 lei. Perhaps, even more! Under the new conditions, with its being a question of progressive bargain by the job and with the salaries being obtained strictly in accordance with the production obtained. We also must recall the men in the auxiliary sectors who until not long ago were almost never succeeding in getting their full salary, because the plan was not being fulfilled. As the comrade secretary general specified, the auxiliary personnel--reduced to the strictly necessary--now can be given bonuses under conditions of fulfillment and overfulfillment of the production plan. Just as now the majority of mining sectors are overfulfilling the plan, there also are conditions so that these people, indirectly in production, can receive monthly bonuses of up to 20 percent of their salary, depending on the percentage of overfulfillment of the plan. The people now fully understand that they have to work better to earn better!

[Question] As you were saying, there is the acute problem of reducing auxiliary personnel.

[Answer] Yes, but not in a narrow sense. More precisely, by abolishing the fourth shift(now there are just three 8-hour shifts), the number of auxiliary personnel normally should be less. However, the people will move to working formations, becoming directly production. Also, we need more of these kinds of people. Starting on 1 July the Jiu Valley will move to the working system of "continuous firing." So work in the mine will be 7 days out of 7--clearly, not with the same people; the 5-day workweek will remain, however with more people in the formations they will be able to cover all the days of the week, including Sunday. Some 1,050 new miners are needed for this job in the Jiu Valley and we shall make them qualified within the timetable mentioned.

[Question] Comrade Radu Balan, could you tell us what the program for a miner is now?

[Answer] He arrives at the mine at 0445, or, more exactly, at the mine cafeteria, where he is given a free meal. At 0500 he changes into his working clothes, takes his lamp and gas mask and at 0510 he arrives "on call," where he is given a report on the production tasks and on work organization. At 0520 he enters the mine, going down the mine shaft or by train, and at 0545-0550 he has arrived at the working front. Here he talks with the pitman from the previous shift, finds out what has happened, how the face looks and what problems will be encountered. He actually works his 8 hours from 0600 to 1400. Of course, the cycles repeat for all three shifts. However, I would like to emphasize that now the party and

state organs are concerned with reducing to the minimum the time used by the miners for the trip from home to the mine and back. We want the men to enjoy as much relexation time as possible and special measures have been taken for this to improve the transportation both horizontally as well as vertically, as well as other measures which I shall not mention. The workweek has become 40 hours (5 x 8) compared with 36 (6 x 6), but we should not forget that up until not long ago the 4 hours' difference was being consumed only by the time which the miners were using to get to the mine and home on the 6th working day. Now, with 2 free days per week, all the miners are satisfied with more time to be at home.

[Question] We enjoy your optimism, comrade first secretary, very much! If coal production goes well, Hunedoara can hold its head high, isn't that so?

[Answer] I say that if coal and steel go well, then we can hold our heads high before anybody anywhere! And it is going and it must go well. We are making steel, we are making ores, we shall make coal, we have overfulfilled production for electric energy and we have overfulfilled for cement; we have not made coke, but we shall recoup during this quarter. Of course, the hardest was with the coal. To Comrade Nicolae Ceausescu, who gave us the high honor of accepting the title of "Honorary Miner" here in the Jiu Valley, we owe the clear orientation on the road we are following. We are proud to be in the front line of the battle for Romania's energy independence. I say that because here, in the Jiu Valley, coal means everything!

8[illegible]
CSO: 2700/141

DRAWBACKS OF PRICE CONTROLS HIGHLIGHTED

Overview of Situation

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1678, 27 Feb 83 pp 7-8

[Article by Scepan Rabrenovic: "The Ineptness of Followup"]

[Text] Delegates in the Federal Community for Price Affairs are concerned and are demanding that the coordinating body responsible for monitoring the agreement on prices be called into emergency session, "since the latter is not being honored." This is altogether understandable, since it is well known that prices, according to official assessments, will increase in the first quarter of this year about 11.1 percent over last year. (Over the last 10 years, except for 1981, this was the highest rise of prices in the first quarter of any year.)

Yet this is still a strange demand: the agreement on prices was suspended by the Federal Executive Council in the order on the monitoring of prices which was issued in the middle of last year. That order placed all possible price rises in the competence of the Federal Executive Council (SIV). The "period of validity" of that order expired on 1 February, but SIV later decided to extend the "freeze." How long, it is not reliably known, but it is most probable that the "federal refrigerator" will remain connected until the end of the year. The only exceptions, we have learned, would be certain products and certain services whose prices, at least so it is thought in the federal government, are not so important.

It is further anticipated that prices will rise in the second quarter as well, since the rise which has already occurred will cause a "chain relaxation," but in all of this it is not known exactly what will have to be more expensive.

When the price rise in the first quarter of this year approached the 10-year record, does that mean that the "federal refrigerator" is unreliable?

To go back a bit: Before the order on price controls was issued, prices were set on the basis of law. It turned out, however, that the prices could not fit into the provisions of a law, and there was no desire to bring them under the provisions of numerous self-management accords either. Before the law on

prices was adopted, it was said that prices could not be controlled by legal formulations, especially not by the kind of law that was adopted. That law, that is, contained four equal and two supporting criteria which stood in opposition to one another, and everything was turned into a kind of open negotiation.

On the other hand the self-management accords on the price level were concluded through the chambers and associations on a sectorwide and industrywide basis so that internal competition was almost entirely eliminated. And when there is no competition within a sector or industry, there cannot be any great motivation for better quality and more productive work.

The conditions for the rise of prices at present are not the same, but they have the same source: failure to respect economic laws. The order on price control is actually nothing other than recognition that the law and self-management accords cannot regulate prices, but the present rise of prices also warns that no sort of administrative control can be effective.

It is known, that is, that no order on price controls can be fair: The freeze is instituted at the level that existed at the time, so that some can gain and others lose a part of their income. Especially when it is known that before the order on price controls our price policy was conducted at three levels: the opstina, the republic or province, and the Federation.

(The 11.1-percent rise of prices in the first quarter of this year was also furthered by the federal government's raising of the turnover tax in order to furnish revenues to the federal budget. It is calculated that the share of the turnover tax in the price rise was about 2 percent.)

The order on price controls is a quite normal economic measure enacted when relations on the market have been flagrantly violated. Even the most advanced economies resort to such an order. As a matter of fact, this is always done before change in conditions for conduct of economic activity; a "time out" is taken to "straighten matters out," that is, in order to draw up a different program which would be based on different criteria than those which led to the troubles and disturbances.

It was anticipated that after 1 February of this year we would essentially have a different economic system which would not be based on government regulation, but on objective economic laws. Such changes had been announced even in the 12th Congress of the League of Communists of Yugoslavia, and the federal government also announced them late last year. It was anticipated that those changes would be based on the long-range economic stabilization program drafted by the Commission of Federal Social Councils.

Yet nothing has come of those changes so far, except that a proposal has been made to the Yugoslav Assembly that it amend and supplement certain laws.

Without a true economic program for economic stabilization, we will not and cannot have an economic price policy. Prices will continue to be mostly a political rather than an economic category, and it will be that way until market

criteria become operative in economic activity. At present we have mechanisms embodying the system which objectively do not allow economic laws to assert themselves.

It seems that we would suffer quite a bit of damage if we were to continue to hold prices in the "refrigerator" at any cost. It is true that inflation devalues everyone's work and every effort, that it devalues all constructive results, but it is equally true that we have ascertained more than once that our standard of living is higher than it objectively ought to be. If that is so, and it is so, then we cannot reduce the standard of living merely by holding prices in a "refrigerator," since in that case we would still be harboring illusions that we are better and more productive than we are.

At the same time, only higher prices, not only for numerous products, but also numerous services, can provide an incentive for both larger output and more optimum consumption. In sectors and branches of the economy where out of certain "higher interests" we set a lower level of prices for years and indeed even decades, we have lagged furthest behind. The lag of entire sectors of services and entire branches of the economy is one of the major causes of our present troubles, including the great dependence on imports.

It is strange, but true: the prices of electricity are about 50 percent below the prices in the advanced countries, but our industrial products are more expensive by that much, if not more, than industrial products in the advanced countries. The basic thing is this: through low power rates we are encouraging uneconomical consumption. Here is the proof: Of the 24 countries in Europe Yugoslavia is in 15th place with respect to the per capita level of consumption and in 21st place with respect to power consumption in industry. What we are not paying in power rates we are paying in darkness and cutoffs. It matters nothing that we are all aware that the electricity we do not have is the most expensive.

To compound the troubles in this sector even more, the republics and provinces a few days ago failed to agree on how much that sector was entitled to out of the announced 25-percent rate increase. All this because we do not have a joint energy policy (but almost all of western Europe, for example, does have one).

We also know why that agreement was not reached. Here are the producer rates per kilowatt-hour that have been in effect up to now in the republics and provinces: 192 paras in Bosnia-Hercegovina, 185 paras in Montenegro, 235 in Croatia, 181 in Macedonia, 204 in Slovenia, 161 in Serbia proper, 217 in Vojvodina and 169 paras in Kosovo.

And here is how the demands for rate increases look: In Bosnia-Hercegovina they are seeking a power rate increase of 48 percent, in Montenegro 46 percent, in Croatia [illegible] percent, in Macedonia 80 percent, in Slovenia 44 percent, in Serbia proper [illegible] percent, in Vojvodina 46 percent and in Kosovo 40 percent.

Only the electric power industry of Serbia proper, though it has the [illegible] rates, has not had a [illegible].

These, then, are the reasons for the "republic" policy in this sector, but they also explain what disunity can bring about where it is necessary and the only possible way.

The ball has been unwound and has become tangled, but there is no administrative policy that can untangle it.

Which accounts for the impression that the problem of prices cannot be solved, however good the "federal refrigerator" is, unless we go back to certain values which seem to have been forgotten: Unless we honor the interest of the self-managers as the basic instrument of material and social development. Unless we leave the self-managers more space and more freedom, not only in the area of expanded reproduction, but also primary distribution.

It is true, no one disputes it, that "shortages are a natural phenomenon in administratively guided societies." Not only have shortages come to our doorstep, but ration coupons, that is, optimum supply, have become our way of life. All this has occurred mostly because self-management was displaced from those domains of society where it could have given the best results.

Certainly we will be unable to do away with the shortages with the kind of price policy we are now conducting and have been conducting up to now. There are many reproaches that can be made here to the Federal Executive Council--most for vacillation and inconsistency. But the federal government can act only within the room given it for action. It will be possible for that space to be larger only when certain artificial structures embodying the system are dismantled.

Otherwise the Federal Executive Council will be able to do only one thing: To say what can't be done, and everything that it would like, and then to withdraw.

Interview With Price Official

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1678, 27 Feb 83 pp 8-10

[Interview with Danilo Perovic, secretary of the Federal Community for Price Affairs, by Jug Grizelj: "'Known, Anticipated and Possible' Inflation"; date and place not specified]

[Text] A few days ago the Federal Community for Price Affairs notified all bodies of sociopolitical communities and organizations--and for the first time the public at the same time--of its assessment of the "known, anticipated and possible" rise of prices in the first quarter of 1983. According to those estimates--unless emergency and effective measures are taken--the cost of living will rise 15.69 percent in Yugoslavia by 31 March!

In connection with this assessment, which is not at all optimistic, we asked for more extensive explanations from Danilo Perovic, secretary of the Federal Community for Price Affairs:

[Question] Tell us first of all who the members of the Federal Community for Price Affairs are: mostly representatives of the economy or of the government?

[Answer] The council of the Federal Community for Price Affairs has 43 representatives, 27 of them representatives of all the general associations of the Yugoslav economy, and then representatives of the Federal Economic Chamber, the SAWPY, the Yugoslav trade unions, all the executive councils of the republics and provinces, as well as 7 representatives of the SIV [Federal Executive Council]. As you see, most of the representatives are from the economy, and that from all sectors and industries in our economy.

[Question] This is not the first time that the council of the Community for Price Affairs has sent out various warnings in connection with price rises. Usually, however, these were analyses or warnings for restricted groups, above all official bodies. This time you decided to report your assessments to the general public at the same time.

[Answer] Several times up to now we have been criticized for lateness in making official data public. This time it seemed to us that we had a duty to inform all relevant factors in good time, and the public--I am thinking of the general public--above all because thousands of basic organizations of associated labor are applying to us for price rises. That public, then, means all of us, and that is why we felt that there was no purpose at all in keeping any data a secret from those they concern above all, that is, associated labor.

[Question] It was at the request of the SIV that you learned what you did about the percentage of price rises and the cost of living in the first quarter of 1983. As far as we are aware, SIV will debate this the day before our newspaper is published (on Thursday, 24 February). Do the people on the council believe that the announced danger of excessive inflation can still be averted?

[Answer] Our council made the assessment in its recent meeting that there is still time for the price rise to be halted, but only assuming that this becomes the concern of all people employed in Yugoslavia, and not just of certain bodies, forums or councils. I think that any analysis of what we did in 1982, a year in which we reduced inflation by 10 percent against the previous year, would show that we did this only by what we might call quantitative efforts. This is the same as when you judge in your family that expenditures are outrunning income--and you cannot or no longer wish to borrow--so you act, then, to reduce certain expenditures. But basically you are not yet changing your way of life, you are not saving and you are continuing to through out bread, to use meat only for cutlets, and so on.

So, now, what has happened in the first months of 1983? The Yugoslav economy had nothing more it could "cut back" in the quantitative area. Since economic policy has not yet been put in a situation of seeking potential through more productive and economical production, the economy is turning toward the traditional path of seeking solutions: through pressure on prices. At the same time I must say that other "spenders" (education, health, budgets) have not

broken their backs with thrift either. All of them, both the self-managing communities of interest and the budget, from the opstina on up, are still sending bills to the economy. Of course, what is now happening had to happen in such a situation. If we add to this that we are also receiving bills from expensive, underutilized or mistaken investment projects, and that all this is being passed on to the prices of goods and services, then it is clear that the pressures on prices in the first quarter of 1983 are not a phenomenon at all. Anyone who has analyzed all these empty demands for higher prices would easily ascertain in many cases that we really lack even elementary responsibility. The applications call for price rises of 80 percent, 100 percent, 200 percent....

[Question] To what extent can it be said that this unprecedented pressure for higher prices in the first quarter of 1983 is a direct consequence of higher electric power rates, rail rates and meat prices which SIV recently approved?

[Answer] You see, in the Agreement on Price Policy in 1983 all the republics and provinces, that is, all of us without exception, agreed that we had to correct certain price disparities with the greatest urgency. This specifically applied to those three groups of prices: electric power, rail transportation and purchase prices of livestock meat. If you go back over the years, you will see that the prices of all other goods and services have been rising faster than the prices in these three sectors. And if we want to adhere to an agreement covering all of Yugoslavia on the need to alter that disparity, then no one is entitled to seek higher prices on the basis of higher electric power rates, rail rates or higher meat prices. That is where the problem is: seeking price raises on the basis of higher prices of these goods and services means heading directly for new inflation and new disparities.

[Question] What sort of price policy in 1983 is actually envisaged by the social compact among the republics and provinces?

[Answer] To some extent we have already stated this. Under Article 6 of that compact, except in the three sectors mentioned, where we accept the price rise unreservedly--all other increases represent a breach of that agreement. It states that by the end of March 1983 an analysis is to be prepared of the parity of domestic prices relative to world prices, an analysis of relations in primary distribution and an analysis of the prices of the same products of great importance on the unified Yugoslav market, and that after that a proposal will be drawn up of possible price changes, changes of parities, and so on. Yet many people are not sticking to that. You see the size of the price increases requested by the motor vehicle industry, and that is not the only one. What do all these pressures mean if not an elementary failure to honor the agreement?

[Question] Borisav Srebric, vice chairman of SIV, said in a recent conversation that no economic policy, and that would include price policy, could function unless the system it is based on is also functioning. How is this failure to respect the system perceived in the council of the Federal Community for Price Affairs?

[Answer] We look at this, if I might so put it, at firsthand. If the basic agreements are not respected, if the self-management accords are not honored, and they constitute our laws and our system, then we cannot anticipate that the policy will be carried out. It is not possible to approve one policy on the one hand and for that same entity to undermine that policy on the other.

[Question] The newsmen who attend the meetings of the council of the Community for Price Affairs say that your meetings are themselves often an example of that kind of double standard.

[Answer] That is unfortunately true. When it comes to general resolutions, when the topic is stabilization, our general concern about the rise of prices and the cost of living, then all the members of our council, that means the entire economy and all representatives of the government and trade unions, and so on, are united, but when discussion begins of individual prices, then fronts open up and people stand apart.

[Question] So-called new products, say those who are well-informed, are often a farce! How is this possible?

[Answer] I think that there are no sound criteria in the associations of associated labor, above all in the economic chamber, as to what is a new product. For something to be a new product, for us to be able to consider it that at all in the Community for Price Affairs, that so-called new product must have the backing of the economic chamber and of the general association of the economy that this is truly a new product. But as matters now stand that backing, those favorable opinions, are being issued, so to speak, from the mimeograph machine.

7045
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YUGOSLAVIA

PROBLEMS NOTED IN INCREASING BANK INTEREST RATES

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 10 Mar 83 p 8

[Article by Mladen Baclic: "The Greatest Burden Is on Business; Large Variations in Interest Rates Worry Bankers and Businessmen"]

[Text] Business organizations contribute 30 percent of funds available to banks while using 80 percent of the total credit which banks give out. Interest rates on loans to be used for similar purposes vary by as much as 15 percent between individual banks.

The Association of Yugoslav Banks is preparing an analysis on the use of the self-management agreement for interest-rate policy by private banks. It is already apparent, however, that interest rates charged for loans to be used for similar purposes vary greatly from bank to bank because banks establish these rates independently, depending on the structure and the cost of their funds and the branch membership of the founders.

Not only do business organizations, which are the biggest customers of bank credit, complain about the great variation in interest rates, but so do bankers themselves. Thus Josip Pribanic of the Zagreb Bank called for an equalization of interest rates at the latest meeting of the Association of Yugoslav Banks. Pribanic noted that it would not be so bad if banks differed by a couple of percentage points in setting interest rates, but when loans for similar purposes are much more expensive and the interest rates 14 or 15 percent higher at different banks, then something must be done very quickly to resolve this inequity. Pribanic also observed that the inequality of rates brings on dishonest competition between banks which extends to the area of passive interest rates as well, with increased competition in the amount of compensation paid for the deposits of businesses and individuals at the banks.

Much Cheaper Credit Should Be a Priority

It was also mentioned at the meeting that for the most part bankers' windows are closed to the general population because there are fewer and fewer citizens who want to use bank credit at these high rates. Business, however, has no other choice because it lacks the funds even for current operations. Therefore, business organizations will bear the greatest burden of the pronounced increase

in interest rates from 1 February of this year, and will be further taxed by the great variation in interest rates on loans to be used for similar purposes depending upon which bank they "belong to." In other words, 30 percent of bank resources are provided by businesses while they use 80 percent of them for loans. Because of this they must bear the largest burden of the increase in interest rates.

The purpose of higher interest rates on loans charged by banks is to be able to cover the greater costs involved in paying interest on deposits and to provide a satisfactory level of liquidity. Some studies indicate that only 10 percent of the increase in bank expenses can be offset by increases in consumer loans and in loans to nonbusiness sectors. Approximately 90 percent of increased expenses must be made up by business, however, and as a result there will be a fixed distribution of loans according to category of business organization so that sectors with the least priority bear the greatest expense.

An analysis of self-management regulations concerning the interest rates charged by [illegible] out of 170 private banks, which was recently completed by the Association of Yugoslav Banks, indicates that on the whole the principles of the recently revised self-management agreement for interest-rate policy are being observed. Banks are heeding the basic principles in connection with financing and priorities, and interest rates for designated purposes are 40-60 percent lower than for loans for other investments. Export loans have the lowest rate, and vary between 12 and 16 percent depending upon the self-management agreement analyzed.

Banks [illegible] a rate of between 16 and 20 percent for agricultural loans, and up to 23 percent for loans with less priority. Thus, on the whole, interest [illegible] charged for designated purposes range between 12 and 23 percent.

The Interest Rate 'Catalog' Has To Be Rather Thick

[illegible] short- and long-term loans which have no priority designation [illegible] 32 percent. Keeping this in mind, the facts presented by the Association of Yugoslav Banks indicate that in accordance with the regulations of the self-management agreement for interest-rate policy [illegible], interest charges for this year will average between 12 and 15 percentage points [illegible] last year's rates. Or, in other words, they will be [illegible] as those in effect last year.

[illegible] interest [illegible] lower than on loans for other purposes, it was inevitable that [illegible] more expensive. This is because [illegible] directed at the designated loan program, [illegible] Since only [illegible] for loans with no priority, banks would not [illegible] accounts [illegible] interest rates just for these nonpriority [illegible] purposes are [illegible] with [illegible]

According to the analysis of the Association of Yugoslav Banks, none of the interest rates charged by the 18 banks that reported the information were the same for the same purpose under the designated priority program. For purposes which are not part of the program, however, the differences between banks were even greater. Thus, for example, short-term loans charged by a bank for the export of goods and services vary from 10 percent at Jugobank in Belgrade to 28 percent at Jugobank in Rijeka. The cheapest loans for the production of agricultural products are provided by the Banat Bank in Zrenjanin at 13 percent, and the most expensive are from the Jugobank in Rijeka at 25 percent. Or, for example, interest rates on loans for tourist and hotel organizations of associated labor are between 12 percent at the Ljubljana Bank in Celje to 30 percent at the Jugobank in Belgrade.

Although interest rates charged on loans depend on the quality of funds and what banks have to pay for them, only a couple of examples are necessary to illustrate the wide range of rates. In order for interested business organizations or individuals to discover the most favorable terms, a rather thick "catalog" of interest rates is a requirement in today's environment. Certainly this benefits neither the banks nor those who use them, especially since loans to an ever greater extent must be provided on a designated basis.

9548
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CROATIA OUTLINES EXPORT STRATEGY PLANS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 15 Mar 85 p 4

[Article by Jasen [illegible]: "The Basis of a Long-Range Program for Promotion of Exports"]

[Text] After the first report in May last year the Center for Market Research of the Foreign Trade Institute in Zagreb recently presented a second report to the Coordinating Committee of the Croatian Economic Chamber for Foreign Economic Relations [illegible] progress in performance of the research project entitled "Research necessary for the definition of Socialist Republic of Croatia's export strategy." Taken together, the two reports make up an operational foundation in the form of information for the work of the working group of the Executive Council of the Croatian Assembly which is to draft the long-range program for promotion of the marketing of goods and services on the foreign market, with [illegible] "responsible" role and the role of coordinator.

[illegible]

Imports of petroleum and the sectors of petroleum production and refining and chemical products have a very sizable share in the republic's deficit. Shipbuilding, the wood industry and the textile industry, production of leather footwear and clothing accessories, foodstuffs and nonferrous metals show a sizable surplus. But the dependence of commodity production on imports is very high. For one-fourth of the OUR's the share of imported substance amounts to more than half of total materials and supplies, and only in 16 percent of the OUR's is this share less than 10 percent. Moreover, production intended for export is somewhat less dependent upon imports, but the share of imported supplies and materials is still very high (29 percent on the average), with considerable differences from one branch or sector to another. It is lowest in the production and refining of nonmetallic minerals (about 15 percent) and highest in the textile industry (about 49 percent on the average).

The trade balance for services is exceptionally favorable, so that in [illegible] services exported by SR Croatia were about fourfold greater than the [illegible] imported services (2.5-fold for Yugoslavia as a whole). The largest [illegible] tion of "imported" substance ranged between 70 and 90 percent for [illegible] tal investment projects, in the transportation service sector the highest share was in shipping (about 60 percent), and then rail and highway transportation (40-45 percent at the most). Other transportation services have an imported share under 10 percent. The direct dependence of tourist services on imports is negligible--only a few percentage points.

Exports to 107 Countries of the World

The economy of Croatia and indeed of Yugoslavia has exported a major share of its goods over the entire period (1973-1982) to countries with the convertible [illegible] payment, but the share of these countries in the total value of the republic's commodity exports has been dropping constantly (in 1973 it was 80 percent for Croatia and 66 percent for Yugoslavia, while in the period January-November 1982 it was 59.3 percent for Croatia and 58 percent for Yugoslavia). Moreover, the economy of both Yugoslavia and Croatia are predominantly oriented in their commodity exports toward the European countries--72-82 percent of Yugoslav commodity exports and 64-80 percent of Croatian exports depending on the year. But in recent years a drop has been recorded in the share of the [illegible] and a growth of the countries of CEMA. Last year the Croatian economy exported goods to 107 countries in the world: 26 countries in Europe account for 70.4 percent of exports, 25 countries in Africa ([illegible] percent), 35 in Asia (8.6 percent), 9 in North and Central America ([illegible] percent), 8 in South America (1.2 percent), and 4 countries in Oceania ([illegible] percent).

The bulk [illegible] in only a few countries, which is an unsatisfactory orientation, since any disturbance on these markets, which could occur for any reason whatsoever, could considerably disrupt the normal flows of trade and thereby overall economic activity. Thus about [illegible] percent of the total value of exports has been with only three countries (the USSR, Italy and Liberia), and all of 82.[illegible] percent with [illegible] countries. The volume of trade with the developing countries is especially [illegible] (about a fourth of the value of Croatia's commodity exports in recent years, with Liberia accounting

for [illegible] percent). The presence of various sectors and industries on certain markets varies considerably. Thus last year the market of western Europe was the most important for textiles, foodstuffs, the chemical industry and wood, the CMEA market for metal, electrical products, [illegible] and leather, and the developing countries for ships and nonmetallic minerals. As for Croatia's commodity imports, last year the share of the various markets was as follows: Europe as a whole [illegible] percent, which is a sizable drop from 1971, Asia [illegible] percent, Africa 7.9 percent, America [illegible] percent and Oceania less than [illegible] percent.

Services are mostly exported to the convertible area: [illegible] percent of the total value depending on the year. The largest proportion with this area is for shipping services (about [illegible] percent) and airport services ([illegible] percent), but the average for all transportation services is about [illegible] percent.

The convertible region has a share of about [illegible] percent in tourist services and about [illegible] percent in work on investment projects. About [illegible] percent of the value of services are involved in transactions with the countries of western Europe, [illegible] percent with CMEA, [illegible] percent with the developing countries, and only about [illegible] percent with the other advanced countries. The share of the market of western [illegible] in the export of services as well, especially when [illegible] investment projects [illegible] countries [illegible] [illegible] share of [illegible] percent and [illegible] below.

[illegible]

[illegible]

or do not have such accords at all (23 percent of the OUR's). The dominant form of cooperation between organizations in manufacturing and the trade sector still bears the features of the techniques dating from the previous periods of our development. Export transactions based on commission is the predominant method for 39 percent of the OUR's which are exporting their products through commercial organizations, and for another 26 percent the dominant method is a short-term self-management accord, which usually has not changed the essence of the old relations. The most frequently stated motive for exports is to realize foreign exchange for imports, which is referred to by all of 77 percent of the OUR's; 43 percent of the producers exporting goods say at the same time that this was the basic motive. For 33 percent of the OUR's the basic motive was to earn income, while for 15 percent it was the domestic market's insufficient absorptive capacity. These relations are not in line with the customary features of a modern export economy in which the encounters with the competition of advanced countries has a highly educative impact.

Strategic Planning and Export Policy

The results of the study point to the general impression that strategic planning exists in OUR's which have a long-standing tradition of operation and representation on foreign markets, but even with them this planning is primarily in the sense of indicative features. Only 48 percent of the commodity producers and exporters say that they have a firm export plan (in quantity and value terms) for the current medium-term period, while in 45 percent of the OUR's the plans are only approximate, and 7 percent have no plan at all. The results also indicate the lack of vigor in the strategic assumptions concerning the growth of exports up to 1985. Relatively few OUR's envisage increasing the number of foreign markets as a dominant strategic commitment (22 percent), and still fewer intend to carry out their plans above all through strict adaptation of their products to the needs of foreign markets.

Nor is the situation more favorable with exporters of services. Forty percent of the OUR's have a firm export plan for the current medium-term period, 51 percent have an approximate plan, and 9 percent have no plan at all. The research also showed that there is no optimum continuity in the representation of various groupings on foreign markets nor with respect to the regional orientation of individual OUR's. In the 1979-1982 period 52 percent of the OUR's abandoned some of their previous markets, and 31 percent captured new ones. Representatives of the electrical products industry had the highest number of markets abandoned, while shipbuilding and the chemical industry had the fewest.

Noncapital Industrial Goods Are the Limiting Factor

Commodity exporters obtained about 61 percent of all the funds necessary to import supplies and materials by exporting their own products, about 11 percent exported in association with other OUR's, 14 percent are using the funds of other OUR's (through accords and through self-managing communities of interest), and about 14 percent obtain them from other sources such as credit, the funds of government intervention, funds guaranteed by law, etc. Evaluating the possibility of at least partial substitution of imports by domestic

supplies and materials, approximately half of the OUR's said that this possibility does exist and, especially important, almost all these OUR's have undertaken or are at least planning to undertake something in this connection. More intensive development of intersector cooperation in solving these problems can be pointed to as a notable specific feature of the trends in substitution. Almost one-third of the OUR's estimate that by the end of 1985 production will be based exclusively on domestic supplies and materials, although many problems have to be solved to develop substitution.

Trends have also been constructive in reflection on sources of foreign exchange necessary to import supplies and materials. About 90 percent of the export economy says that it will use for imports a portion of the funds realized by exporting their own products, while this will be the dominant exporting. To a considerable extent the export economy is using foreign credits to purchase imported supplies and materials, equipment, technology and to meet other needs abroad. More than half of the OUR's surveyed had foreign credit obligations in 1981. With respect to their volume and the number of OUR's which had them, they were most extensive in the metals group (about 75 percent of the OUR's), while OUR's in the leather industry made the least use of foreign credits (only about 20 percent of the OUR's). Most of the obligations have to do with imports of supplies and materials--60 percent, 36 percent for capital goods, and only 4 percent for other purposes. In 1982 the share of OUR's with credit obligations increased somewhat, but domestic supplies and materials were a marked limiting factor on expansion of exports and indeed even on realization of obligations contracted for.

As for exporters of tourist services problems in obtaining domestic supplies and materials were still more pronounced. Those working on capital investment projects abroad are also dissatisfied with the domestic supply; shippers are having great difficulties purchasing fuel for propulsion and importing spare parts, and for exporters of highway transportation services spare parts and the impossibility of purchasing new vehicles are the limiting factor, along with fuel. Financing export transactions under the present conditions of international trade is becoming an ever more important instrument in export expansion. However, in the opinion of Croatia's export economy, the various sources and forms of financing which are available to our exporters of goods and services are not satisfactory--neither in volume nor with respect to terms and conditions and the real possibility that they can be obtained in a reasonably short period of time and without a great deal of administrative procedures. In any case the credits of commercial banks are the dominant source for financing the exports of about 59 percent of the commodity producers and exports, while for a sizable share of the OUR's (28 percent) self-financing is the dominant source.

The Consequence of "Mandatory" Exports

The survey of OUR's in the Croatian export economy also offers an insight into certain effects of forced export. In the opinion of specialists in the organizations which have conducted this policy, the influence of its measures on the volume and benefits of exports over the last 2 years has been sizable (43 percent of the OUR's), negligible (34 percent), and so on. The pattern with

respect to branches and sectors is this: with the exception of shipbuilding, in all industries a high share was recorded for those OUR's which did feel the new measures. The span is from 75 percent for the nonmetallic metal industry to all of 91 percent for the electrical products industry. Moreover, constructive benefits have been recorded, such as the increase in the physical volume of exports (for 45 percent of the OUR's surveyed), a stronger orientation toward convertible markets (the real value of exports rose in 37 percent of the OUR's), expansion of the assortment of export products (for 31 percent of the OUR's), an increase in the number of countries to which products are being exported (29 percent of the OUR's), but there were also negative consequences, including a reduction of the profitability of exports and diminished offering to domestic customers and the drop of export prices.

The policy of economic stabilization shaped in the form of forced exports has not had the same weight in the service sector as for visible exports. This is attributed to the character of what is being exported. Thus 60 percent of the surveyed OUR's exporting services say that the measures calling for compulsory export did not affect the volume and results of their business operation, 30 percent said "slightly," and only 8 percent said "significantly." It is added in this connection that imports of services were covered by their exports at a level of about 2.5:1 in Yugoslavia as a whole and all of 3.8:1 in Croatia (in 1981).

How Well the Leading Exporters Are Equipped

For a major portion of the export economy exports are above all a way of meeting needs for importing supplies and materials, technology and know-how. A relatively small number of OUR's look upon exports as an integral part of a business policy oriented previously toward augmenting income or improving its structure. The share of income in the gross income of Croatia's export industry was 8.2 percent in 1979, a year later it was 9.6 percent, and in 1981 it was even 8 percent. For services these percentages are about threefold higher and amount to 23, 29 and 25 percent, respectively, and in tourism the share of income in gross income is the highest--43, 47 and 38 percent, respectively. The insufficient dispersion of Croatian exports among countries confirms the observation which has been made. In the case of visible exports the share of countries to which the Croatian economy has continuously exported over the last 5 years (69 countries) is 88.5 percent. However, about 60 percent of the OUR's surveyed were exporting to between 1 and 5 countries, a further 25 percent were exporting to between 6 and 10 countries, so that the share of OUR's exporting to more than 10 countries is less than 15 percent. The role of commercial organizations in trade with the world is significant. In 1981 more than a third of Croatia's commodity exports took this route, but at the same time there was an appreciable drop in the share of exports for convertible currencies.

An up-to-date approach and techniques for researching and monitoring the foreign market are not evident in that organizational form and intensity that would guarantee an inflow of business information for adoption of short-term and strategic decisions concerning the development and promotion of exports. Only exporters of services are better informed, especially in the case of

contractors working on capital investment projects, transportation organizations and those rendering seaport services.

The Export Consortium and Gradual Expansion of Imports

The survey also shows that there are export organizations which are capable of ensuring and increasing their inflow of foreign exchange faster, more effectively and more lastingly and of achieving other constructive results in developing exports. When economic policy instruments are shaped in the future, these organizations should be given preference in the supply of materials (from domestic sources and the necessary imported portion), and then they should be furnished more adequate financing and credit financing of their exports, they should be relieved of the very difficult, lengthy and bureaucratic procedures in exercising rights associated with achieving benefits in economic activity and realizing income through export activities. Aside from the necessary selective approach and measures toward those organizations expected to achieve a substantial growth of exports, especially exports to the convertible area, by no means dare we neglect that the basic prerequisites also have to be achieved for realization of those goals, i.e., achieving the functioning of an economic "blood flow," so as to make products and services competitive on foreign markets.

To that extent the orientation in the process of further formation of associations within the export economy should be toward creating several quite strong export consortiums formed on the principles of horizontal-vertical linkage of the economy with features of a higher level of complementarity. These consortiums have to have a point of support in a bank which has business acumen, a solid transportation and forwarding organization, an insurance agency. The consortium ought to be specialized in a field of activity which has conditions for faster and more effective initiation of the process of association and strengthening the offering of Yugoslav products of a particular industry or other services. Aided by more flexible economic policy measures and "business operating conditions," relying on the results of research in the planning and promotion of work and activity on selected foreign markets, the consortium could become the vehicle for a further consolidation of our export offering and an organized effort on markets.

The situation on the world market is objectively complicated and difficult. However, we should not expect it to undergo essential improvement before the year 2000. This should also be taken into account when our country's export orientation is being shaped, the objective possibilities should be accommodated, and a gradual expansion of exports undertaken. In the first phase particular encouragement should be given to those organizations and systems which under somewhat more favorable business conditions for exporting could achieve quite significant success in augmenting exports, provided conditions for satisfying the needs of domestic demand are not essentially violated. In the second phase that export economy should be included which at the moment must unconditionally make a number of adaptations in the features of its own offering if it wants to be able to compete and to be effective in developing exports.

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